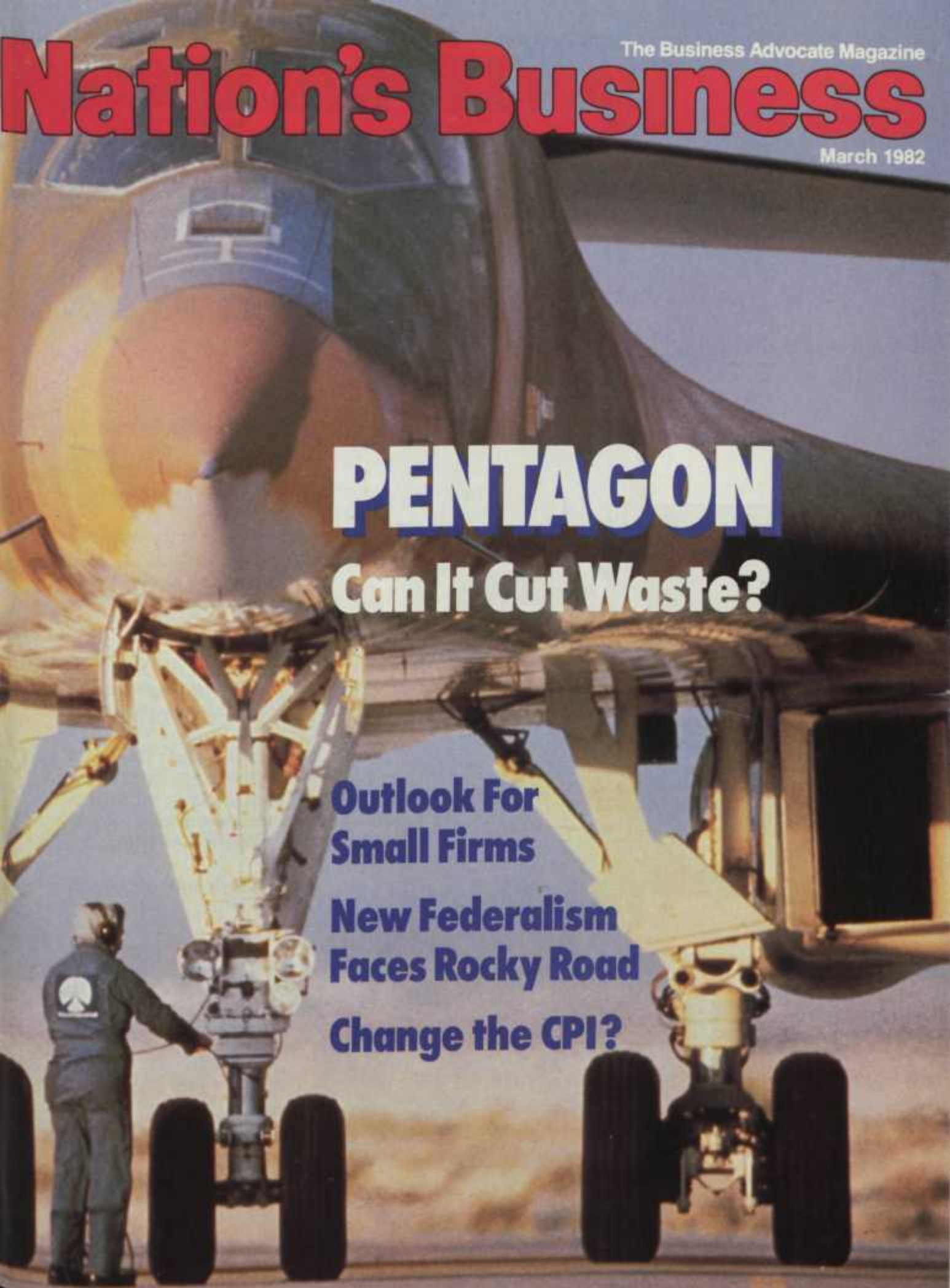
The Business Advocate Magazine

# Nation's Business

March 1982



## PENTAGON
## Can It Cut Waste?

**Outlook For Small Firms**

**New Federalism Faces Rocky Road**

**Change the CPI?**

# Think you' the lowest tar Think




Box

Box 100s

*Why do you think your brand is lowest? Because its ads say so?*

*But other brands' ads are saying the same thing–that they're the lowest in tar.*

*Just where is a tar-conscious smoker supposed to turn?*

*Well, numbers don't lie. So we've put the tar levels of all these claiming-to-be-lowest brands into the chart on the right.*

*That way you can see just how much tar your brand has–and that there's one brand lower in tar than any of the other "lowest" tars.*

*Now is the lowest 100s, Box or Soft Pack. And there's no cigarette in any size that's lower in tar than Now.*

*Do you want to know for sure that you're smoking the Ultra Lowest Tar™ brand?*

*Well, there's only one–Now.*

# NOW

BOX, BOX 100's: Less than 0.01 mg. "tar", 0.001 mg. nicotine, SOFT PACK 85's FILTER, MENTHOL: 1 mg. "tar", 0.1 mg. nicotine, SOFT PACK 100's FILTER, MENTHOL: 2 mg. "tar", 0.2 mg. nicotine, av. per cigarette by FTC method.

Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health.

# re smoking cigarette? again.

**NUMBERS DON'T LIE.**
**NO CIGARETTE, IN ANY SIZE,**
**IS LOWER IN TAR THAN NOW.**

| | 80's box | 85's soft pack | 100's box | 100's soft pack |
|---|---|---|---|---|
| NOW | Less than 0.01mg | 1mg | Less than 0.01mg | 2mg |
| CARLTON | Less than 0.01mg | 1mg* | 1mg | 5mg |
| CAMBRIDGE | 0.1mg | 1mg | — | 4mg |
| BARCLAY | 1mg | 1mg | — | 3mg |

All tar numbers are av. per cigarette by FTC method, except the one asterisked (*) which is av. per cigarette by FTC Report May '81.

# The Lowest

**The lowest in tar of all brands.**

# atlantic.



## An attractive building that doesn't forget who pays the bills.

If you didn't have to be concerned with the initial costs of construction and then with maintenance, energy bills, employee work efficiency, materials flow and lots more, you could select your building system by good looks alone. But a building for today's business must offer *more* than just appearance.

With a building system from Atlantic, you're assured of not only the design flexibility to create the image and working environment you want; but also the quality construction features necessary for efficient use of energy and years of trouble-free service. From Atlantic's unique Standing Seam Roof to wall systems styled for architectural appeal as well as energy conservation.



**FREE Planning Brochures.**

For more information on building systems from Atlantic and the name of your nearest Atlantic builder, return the coupon today.

**atlantic**
**building systems, inc.**
P.O. Box 82000/Atlanta, Georgia 30366/(404) 447-9010
A Subsidiary of Atlantic Steel Company

**"We've Got The System"**

Rush me a free full-color brochure on Atlantic buildings for: NB-3

☐ Manufacturing ☐ Sales/Service
☐ Warehousing ☐ Offices
☐ Recreation ☐ Other _____

☐ Contact Me For An Appointment

NAME _____

TITLE _____

COMPANY _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____

Return to: Atlantic Building Systems, Inc.,
P.O. Box 82000, Atlanta, Georgia 30366



The Chamber of Commerce of the United States, publisher of NATION'S BUSINESS, is a federation of businesses, trade associations, local and state chambers, and American chambers of commerce abroad.

**PRESIDENT**
Dr. Richard L. Lesher

**VICE PRESIDENT—COMMUNICATIONS**
Dr. Carl Grant

**MANAGER—PUBLISHING GROUP**
David A. Roe

**EDITOR**
Grover Heiman

**MANAGING EDITOR**
Henry Altman

**MONTHLY EDITOR**
Tony Velocci

**SENIOR EDITORS**
Barry Crickmer, Del Marth

**ASSOCIATE EDITORS**
Sally Atwater, Michael Thoryn, Mary L. Tuthill

**CONTRIBUTING EDITORS**
John Hanly Adams, John Costello, Harry David, Bob Gatty, C.V. Glines, James J. Kilpatrick, Samuel H. Murray

**PRODUCTION EDITOR**
Sharon Hockman Ames

**COPY/PRODUCTION ASSISTANT**
Hanne Caraher

**EDITORIAL RESEARCHER**
Adrienne Blum

**ART DIRECTOR**
Hans A. Baum

**ASSISTANT ART DIRECTOR**
Richard C. Freund

**ART ASSOCIATES**
Naomi Sakanoue
Wendy Simpson

**PHOTO EDITOR**
Caren W. Keshishian

**PRODUCTION DIRECTOR**
Harry N. Miller

**ADVERTISING COORDINATOR**
Lee Ellen Westell

**ADVERTISING DIRECTOR**
W. Brett Perrine

**ADVERTISING MANAGERS**

**Atlanta** (404) 393-0140
James M. Yandle

**Chicago** (312) 346-3526
Herbert F. Ohmeis, Jr.; Robert A. Rose, Jr.

**Cleveland** (216) 241-3976
Gerald A. Warren

**Dallas** (214) 387-0404
Richard Chalkley

**Dearborn** (313) 336-2410
Robert H. Gotshall

**Los Angeles** (213) 651-1466
Cathy Adler

**New York** (212) 370-1440
Raymond Murray, Jerry V. Camporine, Donald B. MacGillivray, Mark G. Thomas Arthur V. Irwin, Jr.

**San Francisco** (415) 421-7436
Hugh Reynolds

**INTERNATIONAL ADVERTISING MANAGER**
El Motaz Sonbol (202) 659-6222

**PROMOTION AND RESEARCH DIRECTOR**
Marilou K. Sanford

**ASSOCIATE RESEARCH DIRECTOR**
Renu Chander

**BUSINESS MANAGER**
William W. Owens

Largest Paid Circulation in Its Field

Volume 70 • Number 3 • March 1982

Published by the
U.S. Chamber of Commerce
Washington, D.C.

# Nation's Business



### Trimming the Fat

The dollars for defense in the new federal budget are threatened by charges of waste. Can the Pentagon cut the flab? Defense Secretary Weinberger says yes. Doubters are asking for proof. **22**



### Ready for Takeoff

The President's New Federalism faces a Congress that may be reluctant to yield authority for programs it created. Reagan will need all his skills as a persuader to get the idea airborne. **32**



### Back From the Brink

Whittaker Corporation had a case of "massive indigestion" when Joseph F. Alibrandi arrived. Now it has a significant market share in most of its product groups, thanks to its exuberant CEO. **76**




### Wave of the '80s

Franchised chains are getting the attention of big firms, foreign and domestic. And franchisors are expanding abroad. Those are just two of the trends described in this special report. **82**

## Departments

| | |
|---|---|
| Washington Letter | 5 |
| Letters To the Editor | 8 |
| James J. Kilpatrick | 12 |
| Outlook | 14 |
| Sound Off Response | 88 |
| People in Business | 97 |
| For Your Tax File | 100 |
| Editorial | 104 |

**Countrywide Call for Volunteers** 36
When President Reagan asked for volunteers, business leaders raised their hands. Now they're taking up the challenge of promoting community action.

**The Case for a Better CPI** 42
The calculation of housing costs has long skewed this measure of inflation. But the proposed remedy is generating controversy, and other problems remain.

**Reaping the IRA Harvest** 69
Workers who sow savings in the tax-deferred plans will get bountiful yields at retirement. The country will taste the fruits of capital formation much sooner.

**The Heller/Roper Small Business Barometer** 72
Chief executive officers of small firms are somewhat pessimistic about their profits, sales, payrolls, inventories. The only thing that's up is—well, borrowing.

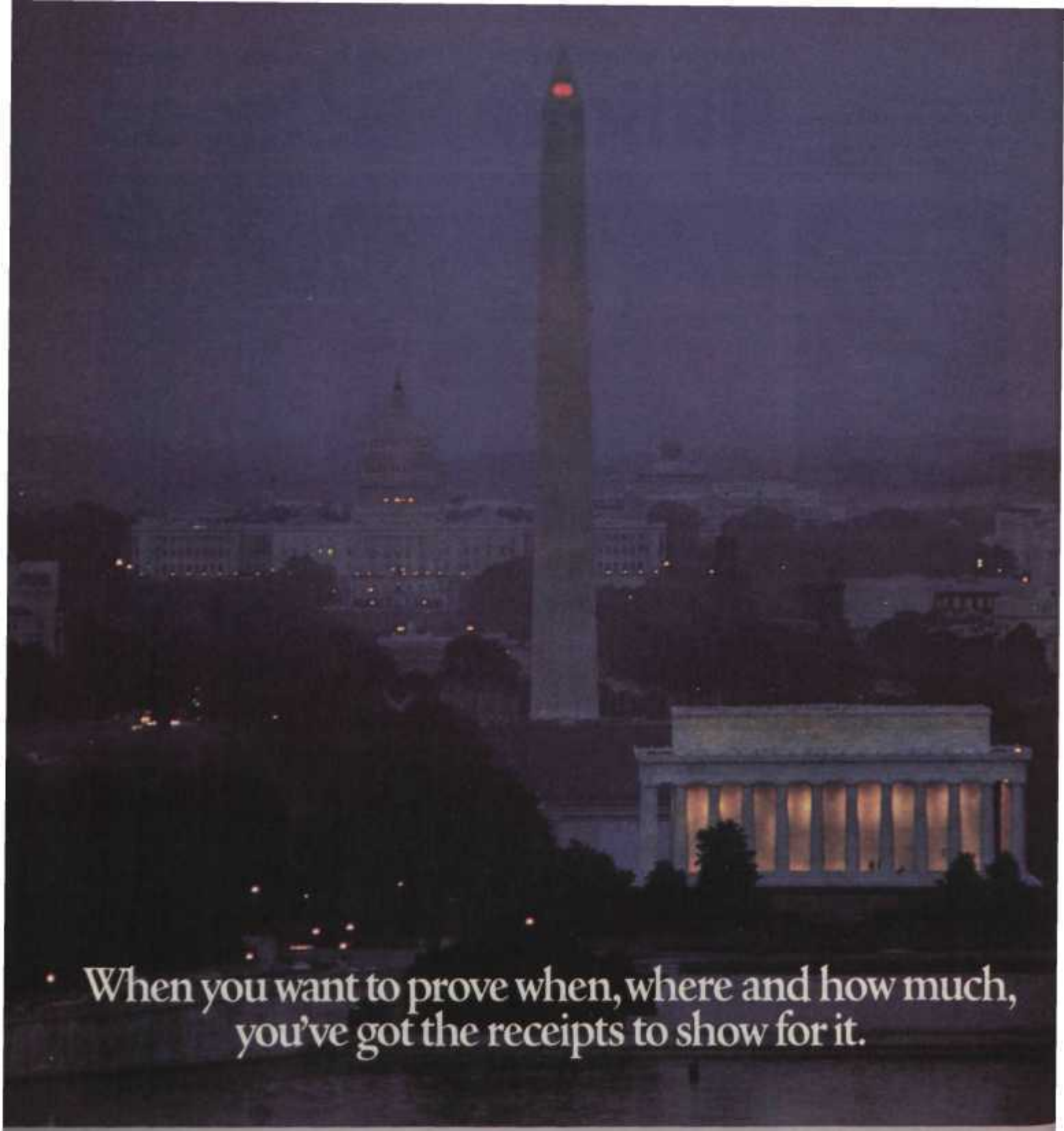
**Win Your Battles With the Clock** 89
A Book Bonus. If you always feel behind schedule, you may fall victim to time stress. If you communicate that stress to others, your company may suffer.

**A Business That Was a Natural** 96
Tom Chappell noticed that folks worried about artificial ingredients. So he made personal products they could feel comfortable with. Now he's comfortable, too.

**Why Trapshooters Have a Blast** 101
They smoke their birds, that's why. The thrill of shattering clay pigeons lures shooters onto the trap fields despite the season's rains and chill winds.

Cover Photo of B-1 Bomber: Sygma

*Nation's Business* (ISSN 0028-047X) is published monthly at 1615 H Street, N. W., Washington, D. C. 20062. Advertising sales headquarters: 711 Third Ave., New York, N.Y. 10017. Tel. (212) 557-9866. Copyright © 1982 by the Chamber of Commerce of the United States. All rights reserved. Available by subscription, United States and possessions, $35 for two years, or in combination with *Washington Report*, the business advocate newspaper, $85 for two years. One-year subscription, $22, or in combination with *Washington Report*, $50. Printed in U.S.A. Controlled circulation postage paid at Chicago, Ill. *Postmaster:* Please send form 3579 to 4940 Nicholson Court, Kensington, Md. 20795.



# When you want to prove when, where and how much, you've got the receipts to show for it.

## You've got the Card.



In fact, you've got receipts to back up your receipts. When you use the American Express® Card traveling, entertaining, or shopping, you obviously get a receipt. It even has space for notes on "who and why." But that's not all. To back them up, a second copy is usually returned with your monthly statement. So you can compare signatures, double-check expenses, and simplify tax preparation. For some purchases, only facsimiles of your receipts are returned, or listed on the descriptive bill summary in your statement. But it is a computer list that you can figure out. All this paperwork of ours is designed to simplify your paperwork. Because you just never know when you might need it. The American Express Card. **Don't leave home without it.**℠

# WASHINGTON LETTER

▶ BUDGET FUSS is noisy, but don't be misled. Appearance of overwhelming opposition to President's proposals for fiscal 1983 masks fact that his opponents have little in common. Their differences with each other will complicate uniting behind any single alternative to administration plan. Result? Reagan remains in best position to negotiate and control developments by playing one faction off against another. Outcome won't be as smooth, dramatic or one-sided as last year. Nearly everyone will find some grounds for claiming victory. However, President will probably end up with more of what he wants than anyone else in game.

▶ DON'T HOLD YOUR BREATH waiting for passage of new federal budget. As of mid-February, Congress had not completed action on fiscal 1982--with fiscal year nearly half gone. Betting in Washington is that budget process will run even further behind for 1983. Country may reach November election with no budget and each political party blaming the other for inaction.

▶ "THE MEDIA would have you believe that we have cut into the marrow of America, that we have destroyed the safety net. Look at the numbers. We cut $40 billion --maybe--out of a budget that's going to be over $700 billion. We haven't cut nearly enough yet." Rep. Trent Lott (R-Miss.), House Republican whip.

▶ WOULD HIGHER TAXES bring down federal budget deficits? No, says Richard Rahn, chief economist of U.S. Chamber of Commerce. During first quarter of this fiscal year, he points out, federal receipts were up 15.9 percent over comparable period one year ago, and outlays were 17.8 percent higher. "The projected deficits largely reflect rapid growth in federal spending," he says. "Proposals to lower the deficit by raising taxes represent a misguided attempt to treat a symptom while neglecting the disease."

▶ SPEED UP TAX CUTS? Many who believe such action would help end recession have wondered why White House isn't pushing it. Reason, explains Edwin Meese, President's counselor, is fear that House Democrats would demand repeal of 1983 cut as price of advancing 1982. Meese says administration wants to keep its 1981 tax reforms intact, including controversial leasing provisions allowing corporate commerce in tax deductions.

▶ POSTPONE TAX CUTS? President Reagan's firm opposition to this deficit-cutting ploy apparently puts him closer than his critics to views of average voter. Gallup poll commissioned by U.S. Chamber Survey Center asked about tax cuts. Only 21 percent of respondents favor six-month postponement of cuts, currently scheduled for July, 1982, and July, 1983. Twenty-nine percent oppose changes in existing plan, and 30 percent want their tax cuts six months ahead of present schedule.

▶ LOCAL GOVERNMENT has moved back into top place in most-for-your-tax-dollar poll conducted annually by Advisory Commission on Intergovernmental Relations. It's only second time in 10 years that has happened, according to Washington organization. State government has always come in third. Results may reflect current disillusionment with federal government rather than sudden surge of affection for local

level. Still, mood is grist for mills of administration's New Federalism.

▶ SPEAKING OF TAXES... Federal, state and local revenues totaled an estimated $851 billion for 1981, according to the Conference Board. And 70 percent of it went to federal government. Feds will spend 24.2 percent of gross national product in current fiscal year, barring further cuts, estimates Congressional Budget Office. That would be peacetime record.

▶ IN DEFENSE of trickle-down economics, analyst for the Heritage Foundation points out that decreases in poverty since World War II correlate much more closely with increases in gross national product than with increases in federal poverty programs and funds. "It is not just that increases in GNP are associated with decreases in poverty," adds Charles A. Murray, "it turns out that poverty has actually gotten worse as social welfare expenditures have increased, when the effects of GNP are factored out."

▶ IT'S THE THOUGHT that counts. Ask whether federal government should provide welfare and 39 percent of respondents say no. But only 17 percent favor ending federal "aid to the needy." Similar split develops on cutting state and local programs, depending on how they are described.

▶ SOCIAL SECURITY payments will rise about 8.5 percent in June. That's estimate from management consulting firm of Towers, Perrin, Forster & Crosby, New York. If so, increase will be smallest inflation adjustment since the 1978 rise of 6.5 percent.

▶ COMPLAINTS will no longer automatically trigger inspections, says Occupational Safety and Health Administration. In future, only allegations of violations that "pose physical harm or imminent danger" will result in on-site check. Infractions categorized as minor by local OSHA field offices will be called to employer's attention by registered letter. Agency will follow up letters with occasional spot checks. Also: Inspectors responding to complaints will limit inspection to subject of complaint, rather than checking entire plant, if company has good safety record.

▶ ANOTHER INCREASE in ceiling on national debt may be needed as early as May, say debt watchers. Last fall, limit was hiked to $1.08 trillion from $985 billion. Administration and Congress had hoped to make it through fiscal 1982 before having to vote on new increase.

▶ "THE CRISIS OF THE 1990s will be a lack of water for domestic consumption," says Interior Secretary James Watt. Supplies are inadequate in West, he says, and water-handling facilities are wearing out in New England. Federal government lacks both money and political will to head off problem, he tells audience at U.S. Chamber meeting. Watt hopes to convince states and localities that they must take initiative.

▶ NOTHING PERSONAL, BUT... General Services Administration, housekeeping agency for federal government, is asking for bids on nationwide rapid delivery service for packages under 70 pounds. GSA (which now uses U.S. Postal Service) is looking for lower rates. Exclusive contract will run six months. Postal Service is welcome to bid, too.

▶ DESPITE LAYOFFS, there are still lots of job openings--even for youngsters. That's word from Labor Department. Assistant Secretary Albert Angrisani says 56,000 jobs are listed each month by state Job Service offices, and about 25,000 of them are still unfilled at month's end. Two thirds of listings require only high school diploma, and many are open to beginners. Best place to look: Oklahoma.

▶ CHUTZPAH REBUFFED: Health and Human Services Secretary Richard Schweiker says he will prevent payment of Social Security survivor benefits to children who have intentionally killed a parent. Yes, such payments have been made.

## MERRILL LYNCH INTRODUCES FLEXPLAN III



If you're concerned over the long range financial security of yourself and your family, it's something you should consider immediately.

Flexplan III, the new tax-deferred annuity developed by the University Life Insurance Company of America, a subsidiary of the Baldwin-United Corporation. It is available exclusively through Merrill Lynch Life Agency.

**FLEXPLAN III FEATURES CURRENT YIELDS OF 14.25%* TO HELP FIGHT INFLATION, AND TAX DEFERMENT TO NULLIFY TODAY'S TAX BITE.**

Your money has a golden opportunity to earn today's high interest rates, and multiply faster because of tax-deferred compounding.

That means the money you would normally pay in income taxes remains in your account earning more interest every year. Your principal earns interest. And your interest earns interest!

For the first year of your annuity, your interest rate is 14.25% guaranteed. For the next 9 years, you are guaranteed it will never be lower than 7.5%, 4% thereafter. In addition, if you fail to receive at least 13.50% annually, you may withdraw your principal and interest without surrender charge.

Suppose you need money for an emergency? You can make one withdrawal of up to 10% of the accumulated value per year without charge.

A very important feature of Flexplan III: the 5% surrender charge disappears after six years.

You also gain tax benefits when you start receiving your annuity income, because you will presumably be in a lower tax bracket. And, part of this income is tax free, as a return of principal. Annuity contracts can also simplify probate.

You decide when you want to start receiving income, and how you'd like the checks to come — all at once, in monthly payments for the rest of your life, over a short period of time, or a variety of other ways.

The choice is yours.

For complete information, mail the coupon, or call toll free Monday through Friday, 8:30 a.m. to 12 midnight, Eastern Time. 1-800-526-3030, ext. 503. In New Jersey, call 1-800-742-2900, ext. 503.

# 14.25%
(TAX-DEFERRED)

# A GUARANTEED SAFE WAY TO BUILD THE RETIREMENT INCOME YOU NEED.

**Mail to:** Merrill Lynch, P.O. 2021, Jersey City, NJ 07303
Yes, I would like complete information, without charge or obligation, on how I can build a bigger nest egg with the new tax-deferred annuity, Flexplan III.

Name_____

Address_____

City_____ State_____ Zip_____

Business Phone_____ Home Phone_____

Merrill Lynch customers, please give name and office address of Account Executive.

_____

**Merrill Lynch**
Merrill Lynch Life Agency Inc.
A breed apart.

503

© 1981 Merrill Lynch Life Agency Inc.

*Based on rates effective as of Jan. 27, 1982. Current rates will be provided upon request.



No. 522 Denim/Mesh No. 527 Denim



No. 524 Mesh No. 526 Cotton

**Adjustable Caps**

WITH EMBLEMS

Choose the cap that fits your need. Send us a copy of your logo or a rough pencil sketch and we'll do the rest. Your emblem expertly made and sewn on the best caps available. Please furnish the following information:

- Style No. _____ How Many _____
- Copy For Emblem _____
- Color _____ Royal Blue, Navy Blue, Red, Black, Orange, White, Gold, Kelly Green, Brown.

Price includes one 1-color emblem sewn on front of cap. (Minimum Order — 72)

| 72 | 144 | 288 | 432 | 864 | 1728 |
|---|---|---|---|---|---|
| $4.10 each | $3.65 each | $3.50 each | $3.40 each | $3.30 each | $3.20 each |

**FREE Jackets**

- Recieve one No. 436A Unlined Jacket Free with 72 Adjustable Caps, when you order 144 Adjustable Caps receive three No. 436A Jackets Free. Order 216 Caps, receive four No. 436A Jackets Free. Order 288 Caps, receive six Free Unlined Jackets. (Example 72 Caps, 1 Free Jacket; 144 Caps, 3 Free; 288 Caps, 6 Free. Every 144 Quantity, 3 Free Jackets).
- Jacket will have same emblem as used on Adjustable Caps.
- Please state jacket size and color (Royal, Red, Kelly Green).
- Additional jackets may be purchased separately (see below).
- Offer good on orders at advertised prices only.

*Offer Good March 1 thru April 30, 1982*

**Nylon Jackets**

WITH EMBLEMS



Sizes: Adult S - M - L - XL
Youth S - M - L - XL
Colors Available in same colors as Caps.
Price includes one emblem sewn on front of Jacket.

| Quantity | 1-35* | 36-99 | 100-399 | 400 & Over |
|---|---|---|---|---|
| STYLE NO. 436A Unlined | $16.95* Each | $15.95 Each | $15.25 Each | $14.75 Each |
| STYLE NO. 436B Flannel Lined | $21.95* Each | $20.95 Each | $20.25 Each | $19.75 Each |
| STYLE NO. 436C Heavy Pile Lined | $29.95* Each | $28.95 Each | $28.25 Each | $27.75 Each |
| STYLE NO. 436D Sherpa Lined | $33.95* Each | $32.95 Each | $32.25 Each | $31.75 Each |

*ADD $20.00 Set-up Charge on quantities under 36. NO Set-up Charge if we use the same emblem used on your Adjustable Caps.

CARDINAL CAP & JACKET CO.

HIGHWAY 460-11 BOX 1430
GRUNDY, VA 24614

TOLL FREE
800/336-0551

ALASKA, HAWAII AND VIRGINIA
CALL COLLECT 703/935-4545
*Offer Void Where Prohibited*


## LETTERS

# Boom or Bust?

Re: "Better Times Ahead, Business Outlook 1982-1983" [January]. It appears you were looking at the economy through rose-colored glasses, or else you have been conned by economists (better known as snake-oil salesmen).

With American agriculture in a state of collapse, with the housing, auto and farm equipment industries all on their knees, with unemployment at catastrophic levels, it is difficult to dream of your optimistic predictions, much less give them credence. Simple eighth-grade economics dictates that agriculture, industry and trade cannot function with the usurious interest rates we have had, rates that will probably remain at levels inhibiting business activity.

WILLIAM M. PRICHARD
*Prichard Farm, Inc.*
*Louisville, Ga.*

Your economic outlook for 1982-1983 is pure poppycock. We are heading into 10 percent unemployment this year and 12 percent next year. Inflation, 10 percent this year and 12 percent next year. A $150 billion federal deficit this year and $200 billion next year. The prime rate will go to 18 percent this year and 20 percent next year. And the reason is simply that big tax cuts and military munitions extravaganzas are not economically compatible.

You say all this is leading to a real boom. What it really is bringing on is the biggest bust since 1930.

CHARLES A. SPEARS
*Chairman of the Board*
*Grayson County State Bank*
*Sherman, Tex.*

I was disappointed not to find a word about our agricultural industry.

Here we sit with a disgraceful trillion-dollar debt because our farmers and packers have been forced by a federally mismanaged and politically manipulated marketplace to accept less-than-production costs for their food and fiber. They have been spending their way to prosperity with borrowed money only to find themselves deeper and deeper in debt.

For the economy of a free nation to be balanced, there must be parity pricing for raw materials. All other issues will be of little importance if our agricultural industry collapses—and well it could.

TERRY KELLY
*Manager*
*Southern Tier Farm & Home Supply, Inc.*
*Hornell, N.Y.*

Ignoring agriculture not only does a disservice to that industry but also deprives those in other industries of insights into the state of agriculture today and its prospects.

This major industry is vital to the progress of our nation, domestically and internationally.

WILLIAM R. BALL
*Executive Vice President*
*Oppenheimer Industries, Inc.*
*Kansas City, Mo.*

The article provides good data in a very readable form. However, it appears that some figures have been transposed in the tables on page 20, giving annual rates of growth in manufacturing output and employment for 1982. The totals for output and employment for durables and nondurables are correct, but the percentages for the individual segments seem to be interchanged.

W.R. WISHARD
*Commercial Vice President—Products*
*Square D Company*
*Palatine, Ill.*

*Editor's Note: You are correct. We regret the error.*

## Transportation subsidies

Re: "Pay-As-You-Go Transportation" [December]. Transportation Secretary Drew Lewis is fond of taking pot shots at Amtrak and mass transit because they are subsidized at the fare box

*Send letters to Editor,* NATION'S BUSINESS, *1615 H Street, N.W., Washington, D.C. 20062, and include your phone number. Letters addressed to the Editor will be considered for publication unless the writer requests otherwise, and they may be edited and condensed.*

# See all you imagine.



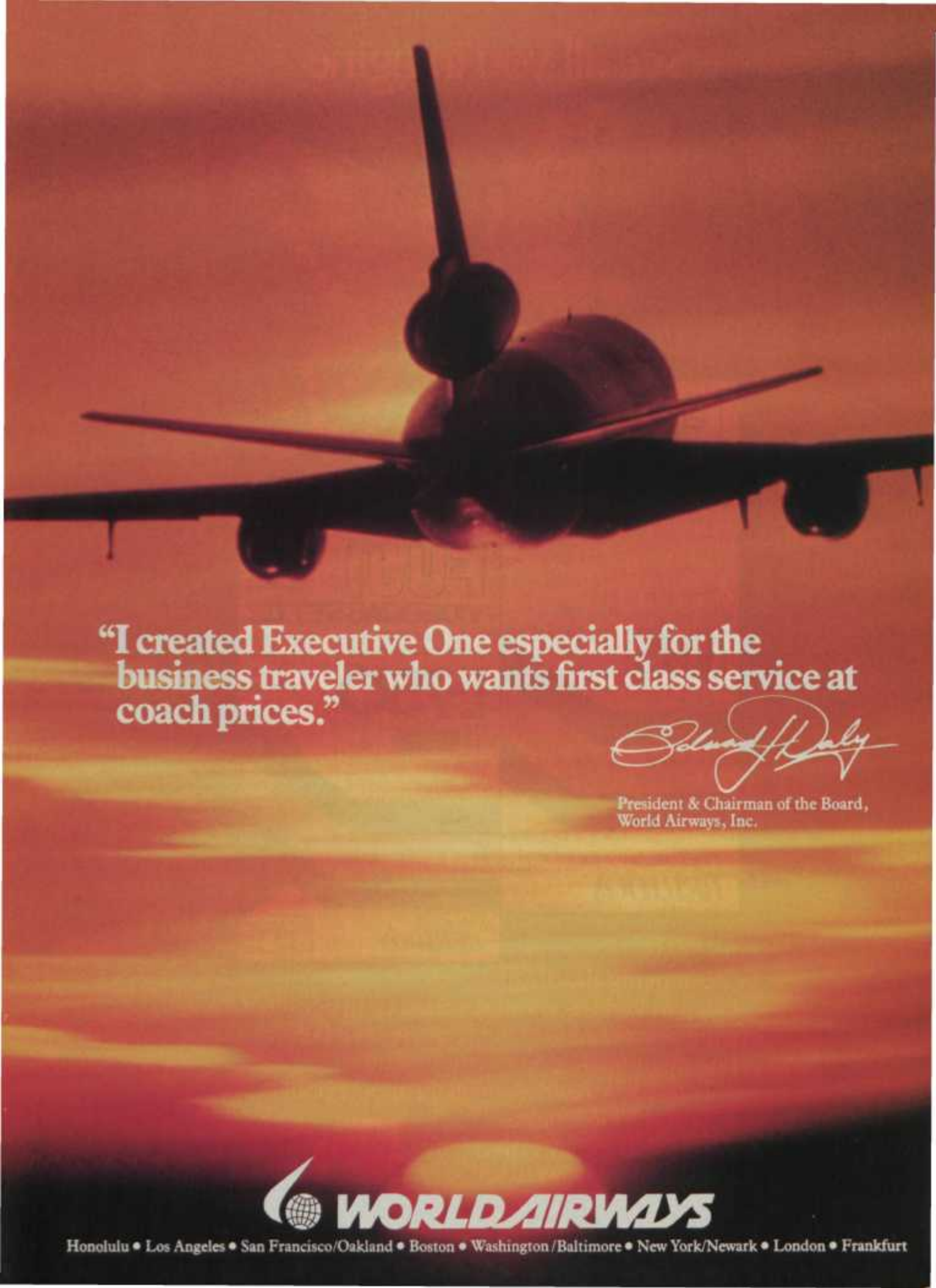



Suddenly, the dream is real.
Color as vivid as your imagination. Images that capture a richness of detail rarely seen before.
Beauty, as fresh as tomorrow, today.

Fuji videocassettes. In all the most popular Beta and VHS lengths.

For all there is worth seeing.
And all there is yet to see.

© 1981 Fuji Photo Film U.S.A., Inc., Magnetic Tape Division, 350 Fifth Avenue, NY, NY 10118.


"I created Executive One especially for the business traveler who wants first class service at coach prices."
President & Chairman of the Board,
World Airways, Inc.
WORLD AIRWAYS
Honolulu • Los Angeles • San Francisco/Oakland • Boston • Washington/Baltimore • New York/Newark • London • Frankfurt

rather than in free or reduced-cost facilities, such as those the airlines and intercity bus companies enjoy. If Amtrak received all the freebies its competition enjoys, Amtrak could lower its fares by 33 percent and still show a profit.

WILLIAM R. WRIGHT
*Cranford, N.J.*

You overlooked a vital issue: the huge hidden subsidy enjoyed by the trucking industry in the form of publicly supported highways.

I find it ironic that you cited a recent General Accounting Office report stating that the nation's bridges are in deplorable condition and that it will be astronomically expensive to repair them but then failed to include GAO's finding that heavy trucks are a major contributor to the deterioration of these bridges.

ANNE W. LINDSAY
*Cleveland, Ohio*

## Bribery abroad

Several January and February articles mentioned the Foreign Corrupt Practices Act, enacted in 1977 in response to questionable payments made by public corporations in the early '70s.

The act's ambiguous language has resulted in lost business opportunities overseas and excessive costs in implementing the accounting standards.

If Congress' intent was to ensure good records and adequate accounting controls, then the standards are an unjustified intrusion by the government. If the standards are designed to preclude bribes and slush funds, then there is a misunderstanding about the nature of internal accounting controls.

Most improper payments have resulted from efforts to skirt internal accounting controls, not from a breakdown of controls. Improper payments reflect the attitude of management, not the systems through which transactions are channeled.

Even before the act, many corporations took steps to prevent improper payments. They adopted strong codes of ethics prohibiting such payments, improved documentation of internal accounting control systems, gave prominence to internal auditors and increased dramatically the number of independent audit committees. It is those kinds of actions that will deter bribery.

RUSSELL K. CRANS
*Partner-in-Charge*
*Coopers & Lybrand*
*Philadelphia, Pa.*


# "This desktop copier can reduce my size 14 sneakers to an 8½."

## -John Havlicek



The Xerox 2350 also helps me in my business. It reduces my 17" computer printouts, 14" technical drawings, even my blue ledger sheets, all down to a handy 8½" X 11" size.

**Easy-to-choose copiers at easy-to-afford prices.**

No matter what kind of business you're in, you'll appreciate the Xerox 2350. And the way it reduces your clumsy oversized originals to a size that's easy to handle.

So send in the coupon. Or call **800-648-5888, operator 675,** and ask Xerox about their 2350.

You'll also appreciate its price, which is equally easy to handle.

**The new 2350**

I'd like ☐ a sales representative to contact me ☐ a demonstration ☐ more information.

XEROX

Send to: Xerox Corporation, Box 24, Rochester, N.Y. 14601.

Name _____ Title _____

Company _____ Address _____

City _____ State _____

Zip _____ Phone _____

675

NB 3-82

In Nevada, call 800-992-5711, operator 675. XEROX® and 2350 are trademarks of XEROX CORPORATION.





# INTRODUCING METROMATIC. AN APPEALING EMPLOYEE BENEFIT THAT BENEFITS 2 WAYS.

## 1. YOUR EMPLOYEES GET PERMANENT LIFE INSURANCE AT A DISCOUNT. 2. YOU PAY NO PREMIUM COST.

Metromatic is an exciting innovation from Metropolitan that lets you offer your people something extra which they will really appreciate—something beyond their group term insurance.

Now you can give your employees the opportunity to acquire Metropolitan whole life (permanent) insurance for themselves, their spouses and children, at a lower premium than they would pay if they were buying it independently. And they can keep this insurance at the same discounted premium, for as long as they live. (Incidentally, it will continue to build cash surrender value as long as premiums are being paid.)

Although you are offering this benefit, you do not contribute to the cost of the insurance at all. The modest premiums are paid solely by the employee.

The plan is neither difficult nor complicated to administer.

With your cooperation, Metropolitan will do most all the work. We will provide the staff necessary to enroll your employees at your company and handle all the details in preparing the policies. We only ask that you arrange to have the premiums automatically deducted from your payroll. There is no limit to the number of employees who can be enrolled and it is available to companies large and small.

For further information, please address your inquiry to Jim Rollero, Metromatic Unit, Metropolitan Life Insurance Company, One Madison Avenue, New York, New York 10010.



Metropolitan Insurance Companies

**METROPOLITAN REALLY STANDS BY YOU.**

Life/Health/Auto/Home/Retirement

© 1982 Metropolitan Life Insurance Co., New York, N.Y.

BY JAMES J. KILPATRICK

# IRS Audits of Religious Beliefs



BACK IN JANUARY, you will recall, Mr. Reagan got himself in a heap of trouble. On a Friday, the government advised the Supreme Court (because of certain cases that were pending there) that it was abandoning a 12-year-old practice of the Internal Revenue Service. Certain tax exemptions that had been revoked or put in jeopardy by the IRS were to be restored; the pending cases were to be dismissed as moot.

The announcement set off an explosive reaction. The effect was to restore all the privileges of tax exemption for an estimated 100 private, nonprofit schools in the South—schools that in one way or another enforce policies of racial discrimination. On the following Tuesday, Mr. Reagan personally announced his intention to see that the privileges just restored would be revoked once more. His original announcement had been woefully misunderstood. He had meant only to seek statutory authority for what the IRS had been doing all along. No one could oppose racial discrimination more than he does.

Now the administration has had a bill introduced to write into law the policies of Tuesday as opposed to the policies of Friday. It is a bill (S. 2024) we need to think about. We are treading on swampy ground in this matter, and we ought to watch where we put our feet.

To go back a bit: Section 501(c)(3) of the Internal Revenue Code exempts from federal taxation any institution "organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary or educational purposes." This reflects a conscious, deliberate public policy that religious, charitable and educational activities in the private sector should be encouraged. Thus contributions to such institutions are made tax deductible, and the institutions themselves are freed from such burdens as the federal Social Security tax. Roughly 300,000 institutions have qualified for exemptions under 501(c)(3), and for most of them the exemption is a matter of fiscal life or death.

In July, 1970, the IRS took aim on the private educational institutions that had sprung up in the South following the Supreme Court's landmark decision outlawing racial segregation in public institutions. Said the IRS, in effect: Every institution that benefits from 501(c)(3) must conform to the public policies of the United States. One such public policy opposes racial discrimination. Therefore, unless a school could demonstrate to the satisfaction of the IRS that it was absolutely nondiscriminatory—indeed, that the school affirmatively had sought minority pupils and teachers—its certificate of exemption would be revoked.

Now we enter the swamp. Among the institutions targeted by the IRS for revocation is Bob Jones University of Greenville, S.C. Beyond any question, it is a pervasively religious institution. Founded in 1927, the school exists to indoctrinate its 5,000 students in fundamental biblical concepts as the school perceives them. One such concept, sincerely held, is that white and black persons should not intermarry. Given this dogma, it is not surprising that only a handful of Negroes, most of them married couples, attend Bob Jones. The faculty is all born-again and all white. At the elementary and secondary level, such institutions as the Goldsboro Christian Schools propound the same religious belief.

Under the administration's draft bill, the IRS would be authorized to examine the "policies, programs and activities" of such religious schools. If the IRS found evidence of a "belief"—that is the word—a "belief that requires discrimination on the basis of race," exemption would be expressly denied.

WHETHER WE REGARD OURSELVES as liberals or conservatives, we ought to pray long and hard over this proposition. The Constitution forbids Congress to make any law with respect to an establishment of religion or prohibiting the free exercise thereof. Do we truly want to vest in a federal bureaucracy the power to define acceptable religious "beliefs"? A greater or more mischievous folly scarcely could be imagined.

Where would such a path take us? The same Civil Rights Act that proscribes discrimination on account of race proscribes discrimination on account of sex and national origin. Is the IRS to examine the religious practices of Catholics, Jews and Mormons? Is tax exemption to be jeopardized for the charitable programs of B'nai B'rith and the Sons of Italy? Through the power to tax, do we move by slow, incremental accretions toward a power to destroy?

These are sobering questions. The concept of religious freedom is rooted in the foundation stones of the republic. It is not an absolute concept. Religious organizations may be audited, and faith healers may be prohibited from handling snakes in a public square. No cult, in the name of religion, could engage in human sacrifice. But the freedom accorded to nonconforming believers is very large. Before we abridge that freedom, let us know where we're going. □



# Sometimes it takes forever to get to the green.

In business, as in golf, there are hazards everywhere. Hazards that get in the way of successful business. Particularly when it comes to securing cash. But securing cash to meet your opportunities can be less of a hazard than you think.

That's where Walter E. Heller comes in. Now you can borrow against receivables while handling credit and collections yourself. Or with Heller factoring, we purchase your receivables—relieving you of the responsibilities of credits, collections, receivables bookkeeping and bad debts.

Heller believes the time is right for growth-hungry firms to take a fresh look at themselves and the appropriate financing most productive for their firm.

When you have a chance to grow and cash can help you, phone your nearby Heller office. Nobody knows more about reaching the green than Heller.

HELLER
Financial Services

**Walter E. Heller & Company,** 105 W. Adams St., Chicago, IL 60603 • Other Heller offices in: New York • Boston • Philadelphia • Montclair, NJ • Baltimore Syracuse • Minneapolis • Detroit • Grand Rapids • Cleveland • Kansas City • Atlanta • Charlotte • Miami • Tampa • Birmingham • Columbia, SC Houston • Dallas • San Antonio • Albuquerque • New Orleans • Phoenix • Tucson • El Paso • Denver • Salt Lake City • Los Angeles • Newport Beach, CA San Francisco • Seattle • Portland • Spokane • Boise • San Juan, P.R. Heller services also available in Canada and twenty-three other countries.

# OUTLOOK

## THE ECONOMY

### The Case Against Credit Allocation

Painfully high interest rates usually bring forth demands for credit allocation based on someone's idea of what constitutes "productive" uses. Such a proposal is now before the Domestic Monetary Policy Subcommittee of the House Banking Committee.

H.J.R. 365 calls for "an aggressive campaign designed to encourage banks to cease providing loans or lines of credit for unproductive takeovers and speculative purposes..." It was introduced by Rep. Henry S. Reuss (D-Wis.), Rep. Fernand J. St. Germain (D-R.I.) and Delegate Walter E. Fauntroy (D-D.C.).

Complaints about takeovers are common today, but it is unusual to encounter a well-thought-out defense of them—like that by Frederick H. Schultz, vice chairman of the Federal Reserve Board:

• Takeovers may well "strengthen management, generate resources for increased investment in improved facilities, produce economies of integration or scale, and especially in the case of small enterprises, provide for orderly transfer of ownership from one generation to another."

PHOTO: JOHN NEUBAUER



Frederick H. Schultz: In defense of takeovers.

• "The credit flows involved in actually consummated transactions have been considerably smaller than suggested by the aggregation of credit lines that were arranged, including those by unsuccessful bidders."

• "Mergers generally involve only a transfer of ownership of existing assets and do not tend to absorb the real savings in the economy."

Any effects that takeover loans may have on the availability of short-term credit are "quite small and of short duration," Schultz says.

He also warned that credit controls "lose their effectiveness and become increasingly inequitable as the financial system devises ways to circumvent them."

According to experts, the House resolution is not likely to go anywhere.

### Fewer Inflationary Laws Being Passed

More good news on inflation: Congress is passing fewer laws likely to worsen inflation, says the National Association of Business Economists, which keeps a scorecard.

According to the group, legislation passed from January through mid-August, 1981, made "considerable advances in reducing the historical inflationary bias in federal legislation."

The association's legislative review committee found that 22 of the 42 laws passed during the period will have some effect on prices. Of those 22, 11 are rated mildly inflationary, and the remainder are neutral to significantly anti-inflationary.

In 1980, 65 percent of the relevant laws were rated inflationary. Further, the committee notes that none of the 1981 laws were considered substantially or highly inflationary; 25 percent earned those designations in 1980.

The committee concludes that "a lower level of total government spending is likely in the long run." However, the group foresees problems: Appropriations may exceed the expenditure cuts specified in the act, some federal spending may simply be shifted from one program to another, and state and local governments may have to raise more money as responsibility is transferred from the federal level.

## CORPORATIONS

### Effects of AT&T Split-Up Analyzed

Years, perhaps a decade, may pass before the full impact of AT&T's divestiture plan will hit the business community, but hit it surely will.

Analysts digging into the recent antitrust settlement worked out with the Justice Department are beginning to reach a consensus. What they foresee:

• Unleashing of Bell Laboratories and its mammoth research and development budget to create new technologies.

• A head-to-head confrontation of AT&T with IBM in the marketplace, resulting in innovative products that could improve the U.S. export trade.

• Lower long-distance telephone rates now that AT&T will no longer use this revenue to subsidize the 22 local phone subsidiaries it gives up.

• A battle in Congress to place new regulations on local phone companies to assure that local rates will not skyrocket.



ILLUSTRATION: JOHN HENLEY

The breakup: Analysts forecast new AT&T affairs.

• A concern by small businesses now in data processing that AT&T's entry into the field will drive them out of business.

• A speedup in print media's use of electronic distribution of news and advertising, a field previously closed to AT&T because it owned and controlled transmission lines of local phone companies.

• New and more aggressive existing companies selling technologically advanced residential phone products now that AT&T will no longer control the phone market through its local subsidiaries.

• An end, at least in the immediate future, to antitrust actions and an adoption of President Reagan's philosophy that mergers and such settlements as AT&T's are healthy for the economy because they facilitate capital formation.

### Tax Credit Sales Under Attack

Safe harbor leasing, that tax reform measure of President Reagan's that permits one company to sell its tax credits to another, is under attack by some elements in Congress.

The measure helps a currently weak company use

# MAKE A MOLEHILL OUT OF A MOUNTAIN.



**INTRODUCING T/MAKER II™: The Quintessential Business Tool That Cuts Work Loads Down To Size.**

T/Maker II is an ingenious program that gives *your* computer the ability and sophistication to calculate financial documents with ease and save time, energy and money in the bargain. If you rely heavily on the analysis and presentation of numerical data and text material, T/Maker II is for you.

**T/MAKER II SOLVES YOUR PROBLEMS.**

Performs Analytical And Reporting Tasks. Just set up your data, define the relationships and T/Maker II will perform the computations and formatting necessary to prepare your document.

And when any changes have to be made, simply enter the new figure(s) or relationship(s) and tell T/Maker II to recalculate the new results.

Works With Words. Most problems and reports involve words as well as numbers. T/Maker II works wonders with both. And it functions as a full-screen text editor. (VisiCalc,™ for example, processes only numbers.)

Produces Presentation-Quality Reports. T/Maker II prints documents with letter-perfect accuracy and presentation-quality appearance.

**YOU'LL FIND T/MAKER II PERFECT FOR:**

• Financial Statements • Statistics • Profitability Reports • Revenue and Expense Analyses • Portfolio Evaluations • Price Lists • Rate Structures • Expense Accounts • Cash Flow Projections • Checking Account Reconciliations • and much, much more.

**T/MAKER II DOES IT ALL FOR SO LITTLE.**

T/Maker II is *the* most advanced aid for the analysis and presentation of numerical data and text material. In a matter of minutes, an entire document—including all edited text, figures and calculations—can be created, reviewed and analyzed on screen, stored and printed. And it's so easy to learn and use.

**T/MAKER II OUTPERFORMS THE OTHERS, AND IT WORKS ON *YOUR* COMPUTER.**

T/Maker II is designed to run on most business computers with SB-80™ or other CP/M-80®-compatible operating systems. And UNIX.™ And soon versions will be available for IBM Personal Computer DOS (SB-86,™ MS-DOS™), RT-11,™ and other systems as well.

T/Maker II is brought to you by Lifeboat Associates, the world's preeminent software publisher. For more information, send us the coupon below.

Mail to: Lifeboat Associates, 1651 Third Ave. NY, NY 10028. Or call (212) 860-0300. Or TWX: 710-581-2524 (LBSOFT NYK). 7901

☐ Please send me more information on T/Maker II.

☐ Please send me a free Lifeboat *Software Desk Reference.*™

Name _____

Title _____

Company _____

Street _____

City _____

State _____ Zip _____

**1 Software With Full Support**

T/Maker II is a TM of P. Rosen. VisiCalc is a TM of Personal Software, Inc. UNIX is a TM of Bell Laboratories. SB-80, SB-86 and *Software Desk Reference* are TM's of Lifeboat Associates.

RT-11 is a TM of Digital Equipment Corp. CP/M-80 is a reg. TM of Digital Research Inc. MS-DOS is a TM of Microsoft Inc.

**LIFEBOAT WORLDWIDE** offers you the world's largest library of software. Contact your nearest dealer or Lifeboat.

Lifeboat Associates
1651 Third Avenue
New York, N.Y. 10028
Tel: (212) 860-0300
Telex: 640693 (LBSOFT NYK)
TWX: 710-581-2524 (LBSOFT NYK)

Lifeboat Associates, Ltd.
PO Box 325
London WC2H 9LD, England
Tel: 01-836-9028
Telex: 893709 (LBSOFTG)

Lifeboat Associates, SARL
10 Grand Rue Charles de Gaulle
92600 Asnieres, France
Tel: 1-733-08-04
Telex: 250303 (PUBLIC X PARIS)

1

Lifeboat Inc.
OK Bldg., 5F
1-2-8, Shiba-Daimon
Minato-ku, Tokyo 105, Japan
Tel: 03-437-3901
Telex: 2423296 (LBJTYO)

Intersoft GmbH
Schlossgartenweg 5
D-8045 Ismaning, W. Germany
Tel: 089-966-444
Telex: 5213643 (ISOFD)

Lifeboat Associates, GmbH
Hinterbergstrasse
Postfach 251
6330 Cham, Switzerland
Tel: 042-36-9686
Telex: 865265 (MICO CH)

**Lifeboat Associates**

World's foremost software source

Copyright © 1982 by Lifeboat Associates

the depreciation system by selling its accumulated tax credits to a profitable firm that can use them to alleviate its own taxes. Supporters contend the reform keeps weaker businesses afloat, the credit sales helping their recovery and keeping them competitive.

To charges that the measure reduces tax revenues, David T. Wright, head of the New York tax department of Coopers & Lybrand, an international accounting firm, replies:

"Safe harbor leasing is not a giveaway because it doesn't give the lessor or lessee companies any more in the way of tax deductions than would have been available to a currently taxed owner-user. The aggregate benefit is the same."

Some congressmen argue the reform makes the corporate tax voluntary by permitting tax lease buyers to escape tax liabilities. Wright and supporters counter that repealing the law could hurt weaker businesses, "forcing them to sell out or go into bankruptcy."

## SMALL BUSINESS

### Defaults Killing SBA Loan Program

This may be the last year for the Small Business Administration direct-loan program.

The Reagan administration is recommending ending the below-market-rate loans to disadvantaged small businesses run by minorities, women and handicapped people. "It was a difficult decision for the administration," says a knowledgeable Capitol Hill aide. "But the lending record of the last three years was abominable—a 46 percent default rate if you define defaults as beyond 60 days without payment and no workout plan," he says.

In fiscal 1981 the SBA made 5,500 direct loans totaling $308 million. In contrast, the less risky guaranteed-loan program is much larger, passing out 23,200 loans totaling $2.9 billion. The latter are made by private lenders and then guaranteed up to 90 percent by the agency.

A telling point for administration budget cutters: paring SBA loan programs decreases federal involvement in capital markets. But a regretful SBA staff member notes, "A large number of persons who get direct loans have no other access to funds. Yet it seems in the cards that riskier loans are fewer and farther between."

### You Can Negotiate Utility Rates

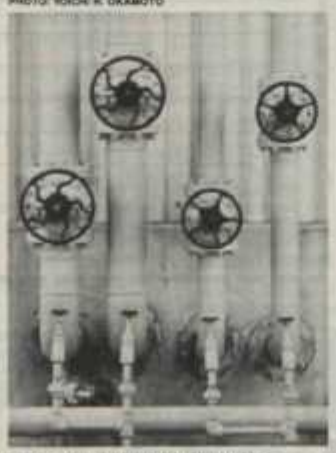
Cutting energy consumption isn't the only way to reduce the energy bill.

Marvin Lauterbach, vice president of the New York office of National Utility Service, says a large percentage of business owners are unaware that utility rates are negotiable—if the company knows how to negotiate them. "Utility rates (electricity, gas, water, steam) and fuel oil costs are flexible, yet all too often even the most astute business manager pays those bills without a question," Lauterbach says.

That assumption can be costly, the rate consultant says, because utilities routinely leave the burden of determining the cheapest, most suitable rate to the customer. A study of utility rate structures to look for unintentional overcharges is worth the effort, he adds, citing as one example a Southern bottler that switched to high-tension voltage at a consultant's suggestion and now saves $25,000 a year on electricity.

"Utility companies uniformly hold to the policy of let the buyer beware," Lauterbach opines.

PHOTO: YOICHI R. OKAMOTO



**Energy: Cut the bills before you cut off the juice.**

### Trust Your Sixth Sense

The good news for small business people who can't afford to base their decisions on lengthy market studies, detailed computer printouts or outside consultants' reports is that they may not need to.

Two professors of management at Indiana University's School of Business, Richard A. Cosier and John C. Aplin, say intuition may be as important as more routinely accepted decision-making aids.

The professors conducted a series of tests to see whether students identified as highly intuitive would make better decisions in simulated management situations. The result with 103 students: Those rated "highly intuitive made the best decisions—as much as 15 to 18 percent better than less gifted colleagues," Cosier says.

"You can make good decisions based on gut feelings," the professor says. But he cautions: "Don't depend on gut feeling alone. I'm not suggesting throwing out formal planning."

Cosier is also not suggesting that research proves the existence of extrasensory perception, though "it is difficult to interpret the results without assuming the possibility that intuitive abilities outside of the traditional five senses may exist."

## GOVERNMENT

### Plugging Holes In Bankruptcy Law

New legislation to thwart the increasing number of bankruptcies resulting from laxness in the Bankruptcy Reform Act of 1978 appears



**Sen. Robert J. Dole: Making bankruptcy less painless.**

imminent. Sen. Robert J. Dole (R-Kan.) says the legislation will "attack the worst problems" resulting from the 1978 act.

A key amendment would require bankruptcy courts to take a debtor's future earnings potential into account when determining whether the individual qualifies for straight bankruptcy relief.

Dole, who introduced the bill in December, says the legislation will also make it easier for good-faith creditors to recover lawful claims and will increase efficient administration.

He predicts floor debate this month.

### OSHA Proposes Self-Inspections

Company self-inspection is one of the latest proposals of the Occupational Safety and Health Administration in its efforts to trim agency costs and unburden the private sector of federal regulations.

A pair of pilot projects have been offered that would be customized to the type and size of industry or company. One calls for a labor-management committee within a business to monitor workplace safety and health. The other urges initiatives by management itself if employers already have safety and health systems.

To be eligible for the voluntary compliance plan, a company would have to

# Isn't It Time You Qualified!




If you have a business, or buy for a business or office, you qualify for a Makro Passport and savings on over 35,000 name-brand food and non-food items. Makro, the world's largest self-service wholesale center.

There's nothing else like it!

**makro**

**SELF-SERVICE WHOLESALE CENTER**

**Phone Now, (301) 350-7909 To See If You Qualify.**

**DIRECTIONS:** Located just inside the Beltway, Exit 15B in Largo.

WASH/E/3

# Meetings & Conventions... Taste the Sheraton difference.

*It's our style.*



**The Sheraton Centre, New York**

Right above Manhattan's Theatre Row! 1850 rooms and suites, including the luxurious Sheraton Towers. 30 meeting rooms for conventions of 25 to 2500. Gourmet dining at Rainier's Restaurant. Entertainment and dancing at La Ronde. Caffe Fontana for continental dining and cocktails. In-house garage.



**Sheraton-Washington, D.C.**

A convention center below, a new luxury hotel above. 95,000 square feet of exhibit space plus 38 meeting rooms for 10 to 4400 (theatre-style)—the Capital site for your next convention. 1500 rooms, including 142 suites, four remarkable restaurants, three lounges and two pools.





## Sheraton-Waikiki

Have a spectacular convention right on Waikiki Beach! 1900 rooms and suites and 21 separate meeting rooms make this a paradise for conventions of 40 to 3600. And there are four other spectacular Sheraton Hotels in Honolulu that are also ideal for your convention or incentive trip.



## The New York Sheraton

Ideally located in Mid-Manhattan, near the Coliseum and opposite Carnegie Hall. 1500 rooms and suites, three restaurants and relaxing lounges. 15 meeting rooms for 12 to 1000. Complete videotape facilities, so you can tape proceedings and simultaneously transmit them cross-country.



## The Sheraton Centre, Toronto

Best location in the city—in the heart of business, shopping and entertainment centers. 1450 rooms and suites. 27 meeting rooms for 20 to 2750 (theatre-style). Fabulous dining in the Winter Palace Restaurant and the Café of the Redwoods Dinner-Theatre. Indoor/outdoor pool, sauna, exercise room.



## Sheraton-Boston

At Prudential Center in the heart of the Back Bay business district. With 1400 rooms, including exclusive accommodations in the Sheraton Towers, 40 conference rooms, four restaurants, including the 4-star Apley's, five cocktail lounges and the only year-round, indoor/outdoor hotel pool in Boston.





# The State-of-the-Art Scorecard.

These days, professionals in every field are discovering the small computer method of financial scorekeeping. It's faster, more accurate and much more profitable than the old pencil-and-paper routine.

With a little coaching from a MicroAge consultant, you'll be able to choose the right system to improve your game. We carry full lines of Xerox, Altos, North Star and Apple. And you'll never find yourself in the rough — all of these systems are reliable, manageable and expandable.

We'll help you select a software package or design a custom program for your specific needs. Support services include installation and training, management consulting, maintenance and repair.

Visit our showroom. In no time, we'll have you out of the office and back on the course.

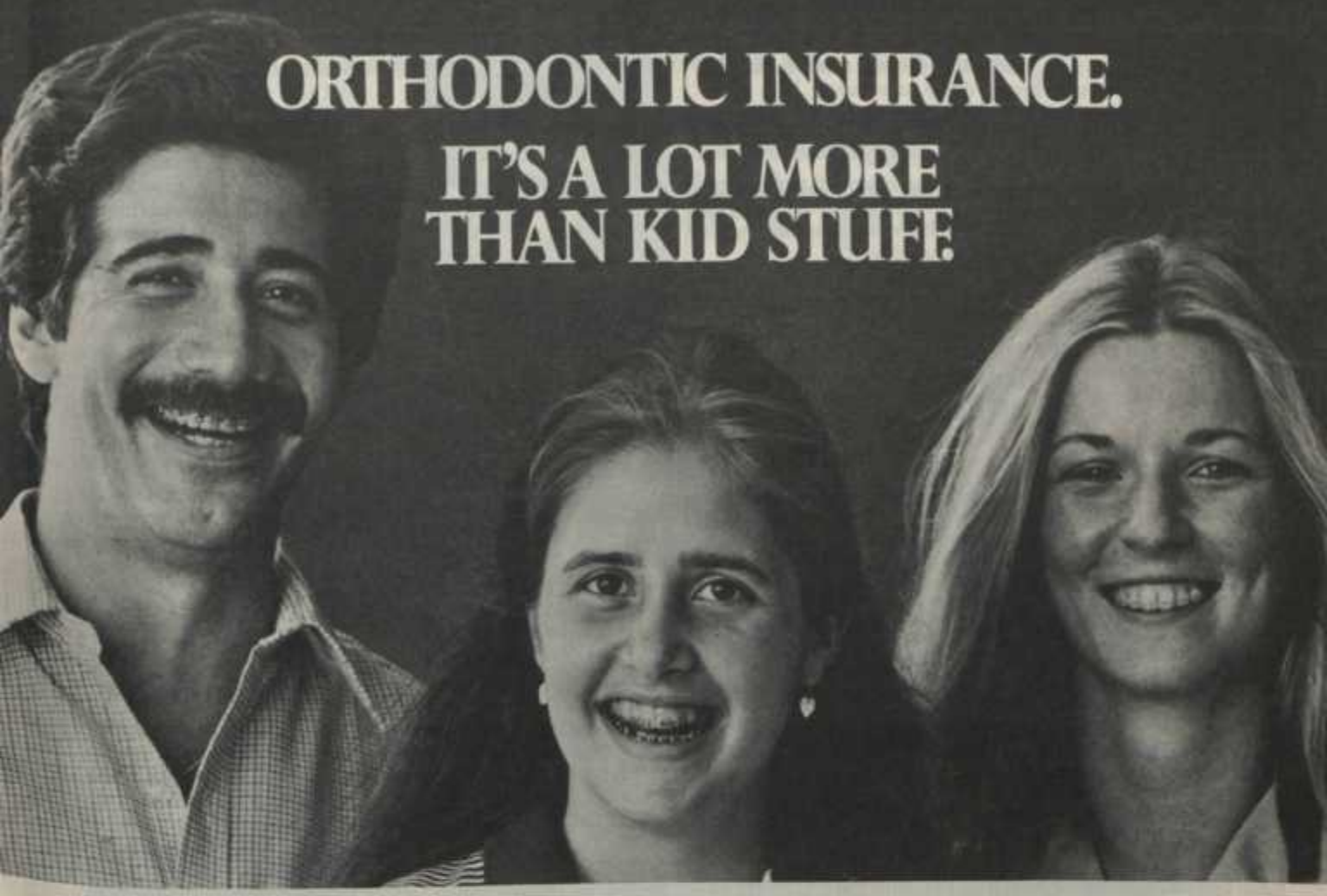
**MicroAge®**
**COMPUTER STORE**

**The Complete Computer Solution**

611 Rockville Pike, Rockville, Maryland 20852
(301) 762-7585

WASH/E/6

# ORTHODONTIC INSURANCE.
# IT'S A LOT MORE THAN KID STUFF.



Certainly, more braces go into teenage mouths than any others. But, the extent of orthodontic treatment today reaches much farther than that.

It touches adults of all ages. And, its purpose frequently is to shape the health of the mouth, not just the smile.

Improperly spaced or crooked teeth or misaligned jaws can form the basis for deteriorative conditions. These conditions can result in problems in chewing, breathing or speaking—even tooth loss or chronic pain. And, unfortunately, they frequently hide behind an acceptable smile, going untreated until the problem worsens.

Government studies show that one out of four Americans carries a potentially serious problem. Add this rather staggering number to the thousands of adults wearing or considering braces. It becomes readily apparent that orthodontic insurance is, indeed, far more than kid stuff.

## Starting with the right advice.

The American Association of Orthodontists has a solid track record in helping companies and unions either seeking guidance on orthodontic insurance or wishing to check the qualities of insurance already in effect.

Our free insurance advisory service offers an unbiased resource, one that will balance an extensive knowledge of proper service benefits with cost efficiencies.

Although our advisors do not sell insurance or recommend carriers, they will offer case histories covering the impact of orthodontic insurance on companies ranging from major size to businesses with as few as two employees.

## The costs are comfortable.

Coverage under an orthodontic rider can cost as little as $2.17 per month, for a $1,000 benefit. Adults can be added to this same plan for approximately 33¢ a month per adult. Quite modest compared to many health insurance premiums.

We'd like to send you more information or contact you personally. When you understand the dimension of orthodontic need, you'll see how important its coverage can be in your employee benefit package.

American Association of Orthodontists
460 North Lindbergh Blvd.
St. Louis, MO 63141 • 7883

☐ Please send me your free booklet on orthodontic insurance

☐ Please contact me about the AAO Insurance advisory service

NAME

TITLE

COMPANY OR ORGANIZATION

ADDRESS

CITY STATE ZIP

TELEPHONE NUMBER

American Association of **Orthodontists**

In cooperation with The Canadian Association of Orthodontists

℠

show that it already has a good safety and health record.

Explains OSHA's chief, Thorne G. Auchter: "These cooperative programs would help OSHA's limited inspection force and enable the agency to avoid inspecting safe and healthful work sites."

OSHA is seeking comments from the private sector on the one-year experimental plan.

### Public Prefers Aid From Private Sector

Americans still prefer that help, when needed, come from voluntary organizations and the private sector, not from the federal government.

So summarizes the Roper Organization, New York, in a poll commissioned by the American Enterprise Institute, a nonprofit, nonpartisan Washington research organization.

Reducing unemployment, improving citizens' health, training people for good jobs and similar tasks confronting the nation should be accomplished through private-sector efforts, say most Americans; the poll showed 38 percent of the respondents mentioned help from corporations and 21 percent cited aid from voluntary organizations.

In addition, 70 percent responded that tax money used for human services is not used well.

Another 66 percent believe that government programs discourage many who could help themselves from trying to find their own solutions.

Sixty percent of those polled make monetary contributions to private voluntary agencies. One in four respondents performs some volunteer work on a regular basis.

## AGRIBUSINESS

### Another Sluggish Year Faces Farmers

Farmers may have to wait until 1983 to see a significant income recovery, says Marvin Duncan, an assistant vice president and economist at the Federal Reserve Bank of Kansas City.

"During 1981, farmers experienced the second year in a row of sharply depressed net farm income—about $22 billion after inventory adjustment," says Duncan. "Current forecasts suggest 1982 will show a slight decline from 1981 levels. Improved farm prices are dependent on improved performance of the U.S. economy and the economies of U.S. trading partners."



PHOTO: FEDERAL RESERVE BANK OF KANSAS CITY

**Marvin Duncan: More bad news for farmers.**

Any significant improvement in cattle prices will depend on increased income growth for U.S. consumers and is not likely in the first half of the year. Other farm product prices are not expected to change much, either.

Exports, increasingly important to U.S. farmers, are predicted to increase from a record $43.8 billion in fiscal 1981 to a range of $44 billion to $48 billion in fiscal 1982. But political climate, global weather conditions and slowed economic growth in many U.S. trading partners will affect export demand.

According to an Agriculture Department supply and demand report, sluggish world economic conditions are weakening demand for animal products and for grains, resulting in higher stocks and lower prices.

On the bright side, Duncan says that if the U.S. economic recovery is strong, it is possible that forecasters may have been too pessimistic about 1982.

## PERSONAL

### Pay Phones For Commercial Planes

Next time you are captive in an airplane and realize you forgot to give your secretary an important instruction, you may be able to phone her. Eleven major airlines have signed up for AirFone service for passengers on their long-haul flights.

The nation's first public air-to-ground telephone hookup, AirFone this fall will offer direct-dial service to any place in the continental U.S. at a proposed rate of $7.50 for the first three minutes and $1.25 for each additional minute. The call will be billed to the passenger's



PHOTO: AIRFONE

**Operator, this is Cloud 9: Please get me the ground.**

### States Can Tap New Revenue Areas

State and local governments, worried about decreasing federal funds under President Reagan's federalism policy, should note *Raising Revenue Without Raising Taxes*, a study put out by the American Legislative Exchange Council.

A Washington clearinghouse for information about state governments, ALEC makes these suggestions:

- *Revise cash management methods.* ALEC says cash management statutes that permit tax revenues to be invested in private accounts are often 10 years old and therefore prevent states from buying innovative investment instruments. It recommends that statutes be updated and that any investment limitations placed on local governments be loosened so they, too, can reap high interest from today's investment instruments.
- *Privatize government services.* ALEC urges governments to stop the costly competition with private enterprise in some sectors, to begin contracting out various services, and to sell off some government functions (sanitation, for example). Also suggested is sale of city- or state-owned lands and buildings that are not currently being used.
- *Establish enterprise zones.* Suspending certain taxes and regulations in areas of high unemployment or poverty would encourage businesses to start up in these areas, ALEC argues, thereby generating jobs and future government revenue.

ALEC points out that last year 37 states raised taxes by $3.5 billion to offset in part the decrease in federal revenues. It calls such action a "stopgap measure that ultimately reduces the growth of government revenues" and contends that revenue generated from its suggestions can more than offset federal cuts.

# Today, you'd be crazy to introduce another desk-top copier.

# Unless it's a better copier.




## Introducing the Monroe RL-612.

**Superb copy quality.**
The most frequent "complaint" we hear is: "I can't tell the copy from the original."

**Incredible reliability.**
A short, straight paper path practically eliminates paper jams. The RL-612 just runs and runs and runs.

**Low cost per copy.**
Monroe's Automatic Dry Toner Recycling System gives you up to 10,000 copies per bottle—twice as much as most copiers.

**Service and support from a company whose reputation for service is legendary.**
There are 350 Monroe-owned branch offices. Yours is only a phone call away.

CALL TOLL-FREE
**800-526-7843 EXT. 444**
(IN NEW JERSEY CALL: 800-522-4503 EXT. 444)
OR CALL YOUR LOCAL MONROE BRANCH OFFICE

**Monroe Systems For Business**
**The American Road, Morris Plains, New Jersey 07950**

☐ Please send me more information on your new copier.
☐ Please tell me how I can get the RL-612 for under $4 a day.

NAME _____
TITLE _____ COMPANY _____
ADDRESS _____
CITY _____ STATE _____ ZIP _____
PHONE _____

Litton **MONROE**
**Systems For Business**

credit card or a special cash card purchased from the airline. Sixteen major airports—where ground delays are most frequent—will also offer the service while the aircraft awaits lift-off clearance. Passengers can make calls but not receive them.

AirFone, Inc., Washington, D.C., reports the system will work in bad weather and over water, mountains and skyscrapers. The Federal Communications Commission concluded after evaluating the network that it is indeed technically sound.

Western Union has acquired a 50 percent ownership interest in the undertaking and will provide financial, technical and promotional support in operating the AirFone network.

### Fewer Americans Enjoy Their Jobs

People don't whistle while they work these days. Most of them, anyway. And the few who do won't be whistling much longer—they're soon to retire. Such are the conclusions to be drawn from a survey done by Gallup for Norval Glenn of the University of Texas at Austin and Charles Weaver of St. Mary's University.

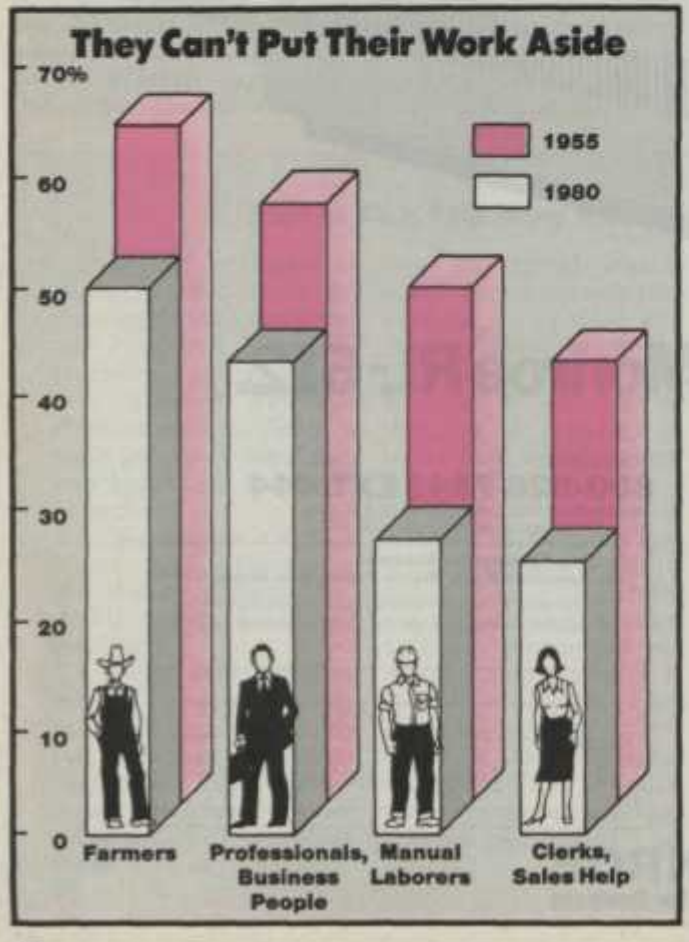
Gallup asked 1,500 full-time workers whether they enjoy their work so much that they have a hard time putting it down. Only 33.5 percent said yes. But in 1955 the same question elicited a 51.7 percent affirmative response.

Those you'd think should be most chipper—workers age 29 and under—enjoy work the least: Only 25.6 percent can't put it down.

And those you'd expect to be jaded and just marking time—the 50-and-over set—like what they do, just as they have for 25 years: The current can't-put-it-down figure, about 45 percent, matches that of 1955, when those workers were under 30.

Why don't young people today enjoy their livelihood? The same villain blamed for violence, immorality and poor grades has struck again. Television, Glenn suggests, "gives an unrealistic view of what work's all about" by portraying just the glamorous jobs. Having grown up in front of the tube, he continues, young workers "are less inclined to want to put in a lot of effort to reach long-term goals."

Apparently, they believe all executives should have as much fun as J.R.




## INTERNATIONAL

### Japan Sees Soaring Per-Capita GNP

Japan's Economic Council, in a preliminary report, predicts that by the year 2000 the value of goods and services produced by each person in that country will surpass that of the United States by more than 20 percent.

Japan's per-capita gross national product in 2000 will be $21,510, compared with a predicted per-capita GNP of $17,600 for the United States, reports the council. This represents a growth of 240 percent of the $8,940 recorded for Japan in 1980; the U.S., on the other hand, is expected to have a 69 percent increase over the $10,420 for 1980.

The council's report assumes that Japan will experience an inflation-adjusted economic growth of 5 percent a year during the next 20 years, compared with a 3.5 percent average annual growth rate for the rest of the world.

Despite the general optimism, the report notes that a challenge to economic growth exists in the escalating number of older people in Japan. A low birth rate combined with increased life expectancy since the end of World War II has made Japan the most rapidly aging society in the world.

U.S. government experts on Japan say they will wait until the final report comes out in May before commenting on the report's projections.

### Canada's Hard Line Thwarts Investors

The Canadian government's restrictions on foreign investments continue to create uncertainty in the international business community and strain the historically close ties between the U.S. and Canada.

Canada's Foreign Investment Review Agency began operation in 1974. "Few reasonable Americans object to the existence of a Canadian screening agency for foreign investment," Donald M. Kendall, chairman of PepsiCo, told a group of Canadian executives. "But we object very strongly to its tactics and procedures," said Kendall, who is also chairman of the U.S. Chamber of Commerce. "Foreign investors are unable to determine in advance what kinds of investments will be approved. The screening process is done in total secrecy, with no right of appeal."

Although Kendall has urged Canadian business people to let their government know that some of these policies could do long-term damage to the Canadian economy, there is no relief in sight. A Commerce Department representative says, "Rather than relaxing restrictions, the Canadians are taking a harder and harder line." □

PHOTO: WAYNE PARTLOW



Donald M. Kendall: Too hard a line in Canada.

# Lazy Millionaire Wants To Share The Wealth

You think you've got problems?

Well, I remember when a bank turned me down for a $200 loan. Now I lend money to the bank — Certificates of Deposit at $100,000 a crack.

I remember the day a car dealer got a little nervous because I was a couple of months behind in my payments — and repossessed my car. Now I own a Rolls Royce. I paid $43,000 for it — cash.

I remember the day my wife phoned me, crying, because the landlord had shown up at the house, demanding his rent — and we didn't have the money to pay it.

Now we own five homes. Two are on the ocean-front in California (I use one as my office). One is a lakefront "cabin" in Washington (that's where we spend the whole summer — loafing, fishing, swimming, and sailing). One is a condominium on a sunny beach in Mexico. And one is snuggled right on the best beach of the best island in Hawaii — Maui.

Right now I could sell all this property, pay off the mortgages, — and — without touching any of my other investments — walk away with over $750,000 in cash. But I don't want to sell, because I don't think of my homes as "investments." I've got other real estate — and stocks, bonds, and cash in the bank — for that.

I remember when I lost my job. Because I was head over heels in debt, my lawyer told me the only thing I could do was declare bankruptcy. He was wrong. I paid off every dime.

Now, I have a million dollar line of credit; but I still don't have a job. Instead, I get up every weekday morning and decide whether I want to go to work or not. Sometimes I do — for 5 or 6 hours. But about half the time, I decide to read, go for a walk, sail my boat, swim, or ride my bike.

I know what it's like to be broke. And I know what it's like to have everything you want. And I know that you — like me — can *decide* which one it's going to be. It's really as easy as that. That's why I call it "The Lazy Man's Way to Riches."

So I'm going to ask you to send me something I don't need: money. Ten dollars to be exact. Why? Because I want you to pay attention. And I figure that if you've got $10 invested, you'll look over what I send you and decide whether to send it back...or keep it. And I don't *want* you to keep it unless you agree that it's worth at least a hundred times what you invested.

Is the material "worth" $10? No — if you think of it as paper and ink. But that's not what I'm selling. What I am selling is information. *More* information than I give when I'm paid $1000 as a guest speaker. *More* information than I give in a one-hour consultation for $300.

But you're really not risking *anything*. Because I won't cash your check or money order for 31 days *after* I've sent you my material. That's the deal. Return it in 31 days — and I'll send back your check or money order — uncashed.

How do you know I'll do it? Well, if you really want to be on the safe side, post-date your check for a month from today — *plus an additional week*. That'll give you plenty of time to receive it, look it over, try it out.

I know what you're thinking: "He got rich telling people how to get rich." The truth is — and this is very important — the year before I shared "The Lazy Man's Way to Riches," my income was $216,646. And what I'll send you tells just how I made that kind of money...working a few hours a day...about 8 months out of the year.

It doesn't require "education." I'm a high school graduate.

It doesn't require "capital." Remember I was up to my neck in debt when I started.

It doesn't require "luck." I've had more than my share. But I'm not promising you that you'll make as much money as I have. And you may do better. I personally know one man who used these principles, worked hard, and made 11 million dollars in 8 years. But money isn't everything.

It doesn't require "talent." Just enough brains to know what to look for. And I'll tell you that.

It doesn't require "youth." One woman I worked with is over 70. She's travelled the world over, making all the money she needs, doing only what I taught her.

It doesn't require "experience." A widow in Chicago has been averaging $25,000 a year for the past 5 years, using my methods.

What does it require? Belief. Enough to take a chance. Enough to absorb what I'll send you. Enough to put the principles into *action*. If you do just that — nothing more, nothing less — the results will be hard to believe. Remember — I guarantee it.

You don't have to give up your job. But you may soon be making so much money that you'll be able to. Once again — I guarantee it.

I know you're skeptical. Well, here are some comments from other people. (Initials have been used to protect the writer's privacy. The originals are in my files.) I'm sure that, like you, these people didn't believe me either when they clipped the coupon. Guess they figured that, since I wasn't going to deposit their checks for at least 31 days, they had nothing to lose.

They were right.

*And here's what they gained:*

**'Wow, it does work!'**
"Oddly enough, I purchased Lazy Man's Way to Riches some six months ago, or so, read it...and really did nothing about it. Then, about three weeks ago, when I was really getting desperate about my financial situation, I remembered it, re-read it, studied it, and this time, put it to work and WOW, it does work! Doesn't take much time, either...I guess some of us just have to be at a severe point of desperation before we overcome the ultimate laziness, procrastination."

Mr. J.K., Anaheim, CA

**'Made $50,000 just fooling around'**
"In February 1974 you sent me (for ten bucks) your Lazy Man's Way to Riches. Since then I have made approximately 50 grand ($50,000) just fooling around on the basis of your advice. You see, I really am lazy — otherwise I could have made 50 million! Thank you!"

Mr. R. McK., Atlanta, GA

**'$24,000 in 45 days'**
"...received $24,000.00 in the mail the last 45 days. "Thanks again."

Mr. E.G.N., Matewan, W.VA

**Made $70,000**
"A $70,000 thanks to you for writing The Lazy Man's Way to Riches. That's how much I've made...

Mr. D.R., Newport Beach, CA

**$260,000 in eleven months**
"Two years ago, I mailed you ten dollars in sheer desperation for a better life...One year ago, just out of the blue sky, a man called and offered me a partnership...I grossed over $260,000 cash business in eleven months. You are a God sent miracle to me."

B.F., Pascagoula, Miss.

What I'm saying is probably contrary to what you've heard from your friends, your family, your teachers, and maybe everyone else you know.

I can only ask you one question.

How many of them are millionaires?

So it's up to you.

A month from today, you can be nothing more than 30 days older — or you can be on your way to getting rich. You decide.

The wisest man I ever knew told me something I never forgot: "Most people are too busy earning a living to make any money."

Don't take as long as I did to find out he was right.

I'll prove it to you, if you'll send in the coupon to my publisher now. I'm not asking you to "believe" me. Just try it. If I'm wrong, all you've lost is a couple of minutes and a postage stamp. But what if I'm right?

*Some have called it a Miracle. Some have called it Magic. You'll call it "The Secret of the Ages."*

*As for me, I thank God that before he died Millionaire Joe Karbo left, for all to share, the secret of "The Lazy Man's Way to Riches." The above story, which is in his own words, is his gift to you.*

Because of the nature of this special offering, we can guarantee delivery *only* to the readers of this publication who respond to this printed notice before midnight, April 30.

After that date, orders will be filled on a "first come, first served" basis as long as supplies last.

To order, write your name and address on the coupon and send it with your $10 today.

Remember, the only way to guarantee prompt delivery is to respond before midnight, April 30.

If you have any questions, you may call us at (714) 898-4357 during normal business hours. Make your check or money order payable to Financial Publishers.

©Joe Karbo - 1979, 17105 South Pacific, Sunset Beach, CA 90742

**PROOF!**

**Don't take my word for it. These are excerpts from articles in newspapers and magazines:**

**Time:**
He only works half the year in his stunning office on California's Sunset Beach, and even when he's there he puts in short hours...In other words, Joe Karbo, 48, is the prototype for..."The Lazy Man's Way to Riches."

**Seattle Times:**
Is it all honest? A man who has done business with him says Karbo's reputation is excellent, and that he has managed to conduct mutually beneficial deals with him with nothing but a handshake and an oral agreement.
Want to be rich? Take my advice and follow his.

**Boston Herald-American:**
The book has drawn hundreds of letters from persons who have profited by it...

**Los Angeles Herald-Examiner:**
An unpretentious millionaire, Joe Karbo of Huntington Harbor is a vibrant, living testimonial to his intellectual, pragmatic conviction.

**Forbes:**
After bouncing around show biz, advertising, and real estate, he made his fortune...Last year (1972) he made $250,000.

**Money Making Opportunities:**
Maybe Joe Karbo has the secret. Don't you think you owe it to yourself to find out what it is all about?...I just finished it — and I'm off on a vacation myself. Get the idea?

**The Boston Globe:**
Jay Haws of Chico, Cal. said the pep talk...in "The Lazy Man's Way to Riches" has "changed my life," and upped his freelance graphic designer income from $2000 to $30,000 annually.
"I'm not rich yet," said Haws, "but I see the light at the end of the tunnel...It gave me the swift kick in the pants that I needed."

**Long Beach Independent:**
He's programmed the path to riches for the lazy man.

Sworn Statement:
"On the basis of my professional relationship as his accountant, I certify that Mr. Karbo's net worth is more than one million dollars."

Stuart A. Cogan

Bank Reference:
Bank of Westminster
8251 Westminster Avenue
Westminster, CA 92683

Financial Publishers
17105 South Pacific, Dept. 512-H
Sunset Beach, California 90742

You may be full of beans, but what have I got to lose? Send me the Lazy Man's Way to Riches. *But don't deposit my check or money order for at least 31 days after it's in the mail.*

If I return your material — for any reason — within that time, return my uncashed check or money order to me. On that basis, here's my ten dollars.

Name _____
(PLEASE PRINT CLEARLY)
Address _____
City _____
State _____ Zip _____

SORRY — NO COD'S

# PENTAGON: Can

By Tony Velocci



Secretary Weinberger's best defense against budget cuts is eliminating waste at DOD.



Blowing the whistle on cost overruns, such as those the C-5A incurred, once got you fired. Pentagon officials say the climate has changed.

THE PENTAGON, a battle-scarred veteran of innumerable budget attacks, has once again cleared the decks for the inevitable attack from budget cutters. But this year the enemy will be difficult to distinguish by its political stripes.

In the past the threat has come from antiwar and liberal groups on the one hand and doctrinaire budget balancers on the other. But now much of conservative America, including business, is equally concerned with the magnitude of defense spending, warning that support is contingent on real efforts to cut waste. And it wants examples, proof that economies are being made and fat is being cut.

Defense officials say they have the evidence and that business at the Pentagon is far from business as usual. In fact, they say, it's a whole new ball game. For example:

• Using a special hot line for identifying waste, fraud and abuse, a Navy lieutenant recently reported that specialized photocopier light bulbs were available commercially for much less than the Navy was paying for them—$231.46 apiece. He was right. Suitable replacements are now being bought for just 93 cents each.

• Until last year two Newport, R.I., facilities were used to test and certify computer programs for Los Angeles –class nuclear attack submarines. Now the facilities are combined, with no loss in efficiency. The Navy will save an estimated $10 million annually.

• To outfit 35 B-52 bombers with large bombs, the Air Force envisioned having to make some $35 million in modifications to the giant airplanes. But last spring an alert manager saw a more efficient way to get the job done: Use wiring harnesses from older missiles that were sitting in storage at an Arizona Air Force base. This proved so successful on one prototype that the Air Force abandoned the original plan and will save more than $50 million.

Defense officials contend that such savings are part of a much larger program by the Defense Department to get the most bang for the buck.

Indeed, if all the major cost-cutting programs that have been started are carried out, the result will be a major overhaul of the way DOD does business and a substantial reduction in the amount the Pentagon would otherwise spend. The undertaking is just barely one year old, and already more than $20 billion in savings is anticipated between fiscal 1981 and fiscal 1987, according to Defense officials, who are on the defensive about the fiscal 1983 budget.

So far-reaching is the program, they say, that no area of DOD operations will remain untouched. The assault on waste has four thrusts: reform the system used to buy weapons; attack waste, fraud and abuse and appoint an assistant to the Secretary of Defense to implement that effort; reform the internal management process, including PPB—planning, programing and budgeting, DOD's major decision-making system; and set up a review process to stamp out overruns, where the General Accounting Office annually finds fresh horror stories.

Top Defense officials say they have examined their department's internal operations and already made substantial cuts. For example, a sharp reduction in travel, such as inspection and orientation trips, will save more than $500 million over fiscal years 1981 through 1987. The use of consultants will be reduced for a saving of more than $1.4 billion.

"Charges of wasteful spending of defense dollars may have been valid in previous administrations, but not in this one," contends Defense Secretary Caspar W. Weinberger, who as Office of Management and Budget director in the Nixon administration earned the nickname "Cap the Knife" for his budget-slashing ways. "We are succeeding in tightening control over our budget."

Doubters, however, want more than rhetoric. Weinberger's job is to furnish proof.

# It Cut Waste?



The administration's cost-cutting efforts are being closely monitored by DOD watchdogs, especially critics of past Pentagon spending policies. They are reacting with a mixture of approval and skepticism. After all, they point out, Weinberger isn't the first Defense Secretary to declare war on waste or institute management systems to bring the Pentagon to heel.

"I sense that this administration is serious about improving efficiency in DOD, judging from the intensity of effort," says Sen. William Proxmire (D-Wis.). "But looking at the dismal attempts of past administrations, you can't help feeling cautious until more numbers are in."

Often-heard criticisms of Pentagon spending practices are aimed at a variety of fiscal booby traps, including the use of ever more sophisticated gadgetry in new weapons systems, which invites runaway prices and production foul-ups. Huge cost overruns have begun to seem like standard operating procedure. Example: The IFV, or infantry fighting vehicle, which carries only six soldiers in addition to its crew of three, will not fit into the Air Force's primary transport, the C-141 StarLifter. Originally priced at $600,000, a single IFV now costs more than $1.4 million.

Each new military aircraft engenders thousands of ground-support equipment items costing hundreds of millions of dollars, reports the General Accounting Office. Much of the new equipment performs the same function as equipment already in service. For instance, there are 129 varieties of aircraft tow bars, 71 kinds of aircraft boarding ladders and 111 engine maintenance stands.

In another study, the GAO reports that millions of dollars are paid annually to Army Guard and Reserve members for drills they have not attended or for full-time Army service after they have finished their tours of duty.

So CONCERNED is business over ballooning defense costs that the U.S. Chamber of Commerce recently sent to Weinberger a list of about 300 GAO audit reports documenting instances of Pentagon waste. The message: The business community supports a stronger U.S. defense but isn't inclined to endorse a blank check.

The assurance that business leaders want is that the Reagan defense program is efficiently managed as it is enlarged.

Pressure is building from many directions to cut weapons programs because of the record federal deficit projected for the next fiscal year ($91.5 billion) and the administration's proposed domestic spending reductions ($43 billion) that follow last year's cuts ($40 billion). Pentagon spending is supposed to rise to $215.9 billion in fiscal 1983, accounting for 29 percent of the budget, compared with 24 percent in 1980. It is projected to rise to 37 percent by 1986.

Even some of the most loyal supporters of Reagan defense policies are calling for reductions of up to $10 billion in defense spending. Secretary Weinberger argues that such reductions would seriously reduce the strength of the rearming effort. The figure of $1.6 trillion has been thrown around as the price of strengthening the military over the next five years, yet, asks Weinberger, how many people are aware that domestic programs, which include welfare, will go up by $1.8 trillion over the same period?

Clearly, the stakes are high for the President. "Congress must decide on a tremendous defense budget," says Rep. Jack Edwards (R-Ala.), ranking Republican on the House Defense Appropriations Subcommittee. "Whether it sells will depend on what Weinberger can show he is doing to get the most out of every defense dollar."

Edwards, who favors trimming the defense budget but isn't yet sure how much, warns that if the public thinks the Pentagon is not placing top priority on spending taxpayers' money efficiently, "flat percentage cuts will probably be made across the board in defense spending."

So far the President's military build-

**Combat forces often encounter long delays before they can get more-modern weapons. Streamlining procurement is one answer.**



up still has public support. An ABC News–Washington Post nationwide poll conducted in late January indicated that two thirds of Americans say the President's plan to increase military spending is just about right or hasn't gone far enough. Keeping that support will now depend on the administration's success in corralling the Pentagon. "The danger of losing our broad-based support because of public misperception is very real," says Secretary Weinberger.

PHOTO: BRYCE FLYNN—PICTURE GROUP



**A common complaint from contractors, including the builders of the Trident sub, is that the services want construction to start before the design is finished.**

The Department of Defense, the largest agency in both budget and personnel (3 million), consumes money voraciously—roughly $500 million a day. About half goes toward maintaining the fighting forces, consisting of 16 Army divisions, a 514-ship Navy and a 26-wing Air Force. The other half is spent procuring everything from intercontinental ballistic missiles to rations. This half is where the Pentagon can achieve some of the largest savings through management improvements.

Defense officials have hardly been short of suggestions; hundreds have poured in from Congress, the GAO, business, the services themselves. But most were ignored or lost in DOD's bureaucratic maze. "The Defense Department simply has not done a good job of audit follow-up," says Frank C. Carlucci, Weinberger's deputy. "Management was either unwilling or unable to change, and no one was reviewing the action to see why good recommendations were not being adopted."

That is supposed to change under Weinberger's procedure for tracking audits of procurement contracts and internal audits of Pentagon management. Questions about costs and management problems must now be resolved within six months, and the backlog of audits must be cleared.

"For the first time, defense audits will have teeth in them," says Joseph H. Sherick, the assistant to the Secretary of Defense for review and oversight. A mild-mannered career civil servant, Sherick has his marching orders: Be as mean as a junkyard dog.

DOD's own contract audit agency issued about 33,600 audit reports during the six months ending Sept. 30, 1981, questioning about $12 billion in proposed or incurred costs by government contractors.

As a result, Defense contracting officials disallowed about $3.5 billion in questionable costs.

WEINBERGER'S approach to streamlining the weapons system acquisition process will probably be a departure from what has gone on in the past. Like many of his predecessors, Weinberger has set out to improve the efficiency of the way DOD buys such expensive things as B-1 bombers. But unlike his predecessors, he decided that another blue-ribbon panel outlining the problems and solutions was the last thing needed. Plenty of studies had already been done—and then shelved.

Weinberger and Carlucci scrutinized all the major recommendations dating to the Kennedy administration and boiled them down to 31. If put into effect, they calculated, the ideas would reduce the cost of obtaining weapons systems, shorten the time it takes to get them and make the whole process less costly to the taxpayer.

Richard D. DeLauer, under secretary of Defense for research and engineering, believes that procurement time for major weapons systems could be cut in half; it now averages 17 years. "It's not like a biological gestation period," he says. "People made it that long—and now people can make it short."

Most of Weinberger's reforms read like textbook principles for the operation of any business in the private sector. They include:

- Cutting paper work, thereby lowering administrative costs. According to GAO, the cost of applying DOD's 30,000-odd pages of procurement regulations adds between 20 and 100 percent to the price of goods "for little or no gain in effectiveness."
- Increasing productivity. The problem has generally been a shortage of capital investment among defense contractors. Weinberger is promoting, among other things, more rapid capital equipment depreciation and contracts that would permit companies to share cost reductions from productivity increases. There are also reforms aimed at achieving more economical production rates to reduce unit costs.
- Writing multiyear contracts. The traditional year-to-year approach to procurement through annual congressional appropriations is costly because it does not permit economy-of-scale lot buying or allow the best use of industrial facilities, and it usually forces the contractor into increased borrowing. Potential dollar savings from multiyear contracting range from 10 to 20 percent in the overall cost of weapons programs, the Pentagon calculates. Only one major weapons system, the Air Force's F-16 fighter plane, is currently produced under multiyear contracts; Weinberger is proposing 17 more candidates for fiscal 1983, including the Navy's A-6 bomber, the Army's Black-

You can cut your trucking costs by knocking a little off here and there. On preventive maintenance, parts, tires, repairs.

But when you cut corners, what happens?

Your trucks start spending more time in the shop. They break down away from home where it costs an arm and a leg to work on them.

You're paying your drivers for waiting around. And you're paying for more trucks than you need because you can't count on the ones you have.

These things cost more than the nickels and dimes you started out to save.

*Ryder believes trucks don't run right unless you treat them right.* Ryder trucks get first class maintenance. First line tires. Top grade oil. Ryder replaces parts on a schedule instead of waiting for them to fail.

This kind of highly disciplined, strictly enforced preventive maintenance costs less than road repairs.

And pretty soon even more cost reductions start rolling in. Fewer breakdowns. No idle drivers.

If a Ryder truck does break down – anywhere – Ryder gets it running again. Fast. No charge. Or Ryder gets you a substitute truck. Fast. No charge.

If you need extra trucks for peak seasons or emergencies, Ryder has a back-up fleet of over 20,000 rental vehicles, so you save by having fewer trucks in your fleet.

And you save on fuel, because Ryder provides it from our own tanks with no retail mark-up.

Because Ryder cuts costs without cutting corners, we have over 5,000 full service lease customers. Hard-nosed, profit-oriented companies like yours.

To find out for yourself that Ryder offers a value you can't match any other way, call your nearest Ryder district office or mail this coupon today.

# RYDER CUTS YOUR COSTS WITHOUT CUTTING CORNERS.

RYDER, IN MY HEART I KNOW
CUTTING CORNERS IS THE WRONG WAY.
SHOW ME THE RIGHT WAY.

Name/Title

Company Name

Type of Business

Address

City/State/Zip

Phone

Mail to: Ryder Truck Rental, Inc.
Harmon Hoffmann, President
P.O. Box 520816,
Miami, Florida 33152




**RYDER TRUCK LEASING AND RENTING**

*A Service of Ryder System*

hawk helicopter and the Air Force's F-111 weapons-navigation computer.

• Expanding competition. This idea was added to Weinberger's original 31 reforms at Proxmire's insistence. There is widespread feeling in Congress and other government agencies that the Pentagon has deliberately restricted competition, especially among small businesses, preferring instead to deal mostly with large firms.

For example, Rep. John J. LaFalce (D-N.Y.) charges that only 7.9 percent, or approximately 300,000, of the nearly 3.9 million individual spare parts listed in DOD's catalog system are subject to open competitive bidding. The result, say critics, is that opportunities for huge savings are being lost. Proxmire believes such savings could reach $500 million annually, "and that's on the conservative side."

PHOTOS: ROBERT BURGESS



**Under Secretary Richard DeLauer believes that the weapons acquisition time can be cut in half; it averages 17 years.**

Defense officials deny the blanket charge, saying there is justification for instances of single-source contracting. In most cases, they argue, the services obtain an added measure of reliability on critical parts, like jet engine components, by sticking to just one supplier.

According to Defense officials, the Pentagon allows competition on some 60 percent of all procurement; critics say it is something less than 50 percent; guesstimates go as low as 25 percent.

In any case, an effort is being made to expand competition, says DeLauer. During fiscal 1981, small businesses received a record $17.8 billion of the $88.2 billion awarded in prime contracts. That's an increase of $4.2 billion over the previous year's level. During both years, however, the percentage remained the same—20.4 percent. It has been as low as 16 percent.

At least 40 percent of subcontract dollars in fiscal 1981 went to small business, which also received $13 billion from prime defense contractors. That was $2.2 billion over the previous year's figure.

DOD's goal for fiscal 1982 is for small businesses to receive nearly $19 billion in contract awards. Regulations governing the process by which items are broken out for competitive bidding are being rewritten. "The rate of competition is sure to increase, and so will the awards to smaller firms," says Stanley Tesko, deputy director of DOD's office of small business and economic utilization policy.

The services, which do the actual buying of their weapons systems, are on a fast track to improve their operations. The Army, for example, commissioned an independent study group to review procurement management practices. The group reported, among other things, that too little was being done to pinpoint the cost of major weapons before production got under way. "When we launched this study," says Jack E. Hobbs, a deputy for management and programs, "the situation was so bad that senior Army leadership was not receiving periodic reports on the status of major weapons programs and contracts. That information void will be corrected because the report's recommendations will be in place and working by the end of this year."



**Joseph Sherick's mission is clear: Ferret out waste and fraud.**

Of all the areas where Weinberger could trim the defense budget, perhaps the most elusive will be fraud. "It has always been a problem, and as increased procurement programs come along, it will get to be a bigger problem," says Sherick. Certainly the potential for fraud exists: At least 2 million people are currently working on defense contracts.

It's impossible to determine the annual cost of fraud, but most officials concede that it could amount to many millions of dollars. There are numerous examples. Just last year, a 138-count indictment was handed down against two New York State companies that sold cold-weather clothing, tents and other supplies to the military. Company officials were charged with billing the Defense Logistics Agency $3.2 million for labor not performed and material not purchased.

Weinberger has intensified the effort to minimize fraud in a variety of ways. He has encouraged DOD personnel to use the DOD hot line, for one. In the last six months of 1981 more calls were received than in the previous two years.

The hot line is run by the Defense Criminal Investigative Service, a new entity established to concentrate on white-collar crime. Its 100 investigators report to Sherick.

Last year a semiannual report by DOD indicated that 27 significant cases of alleged fraud uncovered by DOD investigative organizations were referred to the Department of Justice, and another 11 were referred to military commanders for further action. The 38 cases involved losses of nearly $12 million, and more than $750,000 in govern-

# WESTINGHOUSE, HARRIS CORP., AND UNITED TECHNOLOGIES DIDN'T COME TO FLORIDA FOR VACATION.



And neither did Bendix, Monsanto, Sperry, Western Electric and all the other 16,000 companies who gave Florida more manufacturing establishments than any other state in the Southeast.

They came for almost 4 million hard-working reasons:

Our work force.

A work force with the highest level of education in the Southeast. Which means that if they're not already trained, they're very readily trainable.

With only .05% of their time lost to work stoppages, they're something you don't find very often these days– a work force that actually believes in working.

All that adds up to employee productivity. Which is just one thing all those companies know about Florida that yours may not. Mail the coupon, and you can learn about all the rest.

Moving to Florida won't give your company a vacation. But it could be very, very good for its health.

For more information, please mail to:
Steve Mayberry, Director, Florida Div. of Economic Development, Suite NB3-1, The Collins Bldg., Tallahassee, FL 32301 (904) 488-5507

Name_____

Title_____

Company_____

Address_____

City/State/Zip_____

**FLORIDA**

People like to work where they like to live.

ment property was recovered. Defense officials are pressuring the Justice Department to prosecute a larger number of fraud cases.

DOD officials are aware that problems threaten to derail, or at least slow down, the agency's overall program to cut costs. One of those is devising incentives to encourage people to come forward when they see potential problems, especially with weapons systems procurement. "Rewards for positive action are essential in this program," says DeLauer, who is considering offering cash to contractors and other incentives to DOD employes.

Institutional barriers also threaten to block change. In DOD, discarding the traditional ways of doing things is difficult. The solution, says Sherick, is to convince the entire organization that Weinberger is as determined to improve the efficiency of the agency as he is to strengthen the military.

Finally, there is the question of how to convey concern over fraud, waste and inefficiency without making it appear that the department is riddled with it. "That's something you try not to worry about," says Sherick. "Either we intend to ferret it out or we don't."

## DOD's Hot Line

Call the Department of Defense's special line if you uncover fraud or suspect DOD resources are being wasted.

The numbers are (800) 424-9098 (toll-free) for callers outside the Washington, D.C., area; 693-5080 for civilians in the Washington area; and 223-5080 for military personnel in Washington.

Anonymity is assured.

In the heat of debate, it is easy to forget what's behind the effort to strengthen defense in the first place. The Soviet Union has outspent the U.S. by such a wide margin over the past 10 years that this country now finds itself vastly outmanned and outgunned in conventional weaponry.

Moreover, the U.S. is likely to grow increasingly vulnerable to the Soviet Union's formidable strategic arsenal with each passing year.

In the months to come the Reagan administration's defense buildup plan will face close scrutiny, not only in numbers of new ships, planes and missiles but also in such areas as proposed base closings and consolidations of functions. Heralded savings will be challenged.

"The diagnosis [by Weinberger and Carlucci] of where many of the major problems have been, especially in procurement, is pretty good, but it's too early to tell whether the proposed solutions can be implemented," says William Schneider, Jr., associate director for national security and international affairs at OMB. "But I'm optimistic."

Unless Congress and the public perceive that the Defense Department is truly becoming better managed and providing concrete results, the administration may find its defense spending proposals at the mercy of unfolding economic developments.

"Surely this should be a sufficient call for a new commitment by DOD," says Carlucci. "If DOD does not produce real savings and cost efficiencies, it will be hard to maintain the national consensus that now supports increased defense strength." □

*To order reprints of this article, see page 40.*





FIGHT BACK

against rising energy costs. Make your next building an

ENERGY STAR

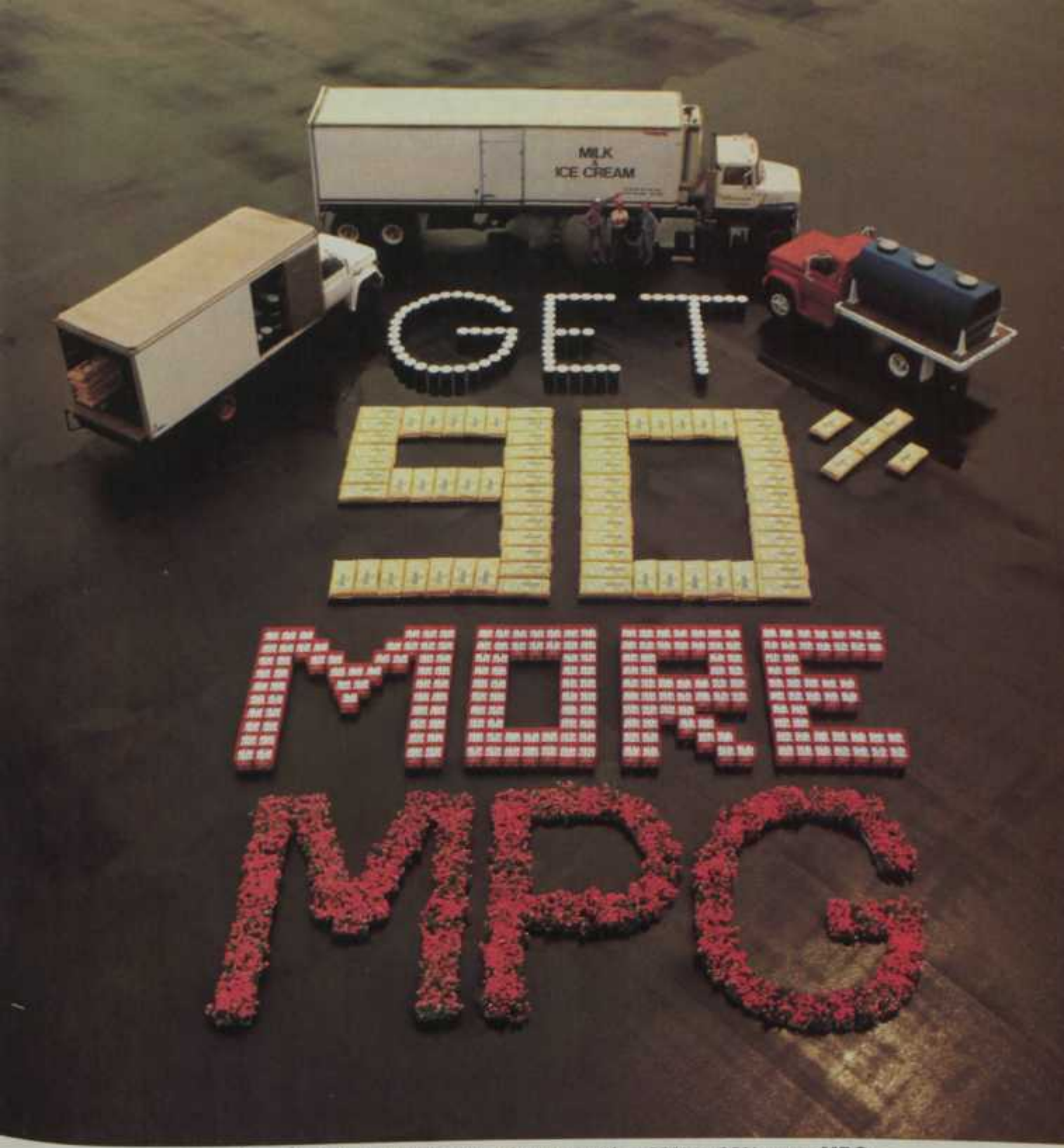
Energy costs are rising. So is the cost of borrowing money. That's why it's important to make your next building an ENERGYSTAR with super-efficient StarTherm® factory-insulated roof and wall panels and StarShield® standing seam roof systems. Find out more today.

Call the toll-free number below for free literature and the name of the Star Builder nearest you.

STAR BUILDING SYSTEMS

800-654-3921

In Oklahoma call collect 405-636-2548.
Or write Star Manufacturing Co.,
Box 94910, Oklahoma City, OK 73143.
Or see BUILDINGS-METAL in the Yellow Pages.




**Fuel Pincher equipped trucks are getting 90% to 98% more MPG in delivery type applications than the same trucks with gasoline power.**



That's almost twice the mileage! We proved it in recent tests. And users are proving it every day, on the job.

The Fuel Pincher is a new engine designed as a diesel from the ground up for medium-duty trucks up to 50,000 lbs. GVW. Rated at 130, 165, or 205 horsepower, it performs much like a gasoline engine. Starts easy, even in cold weather. Has plenty of torque for climbing hills. And eliminates the gas engine's carburetor and ignition system problems.

So tell your dealer you want the affordable, efficient, and tough Fuel Pincher Diesel in your next medium-duty truck. Or call us for more information: **1-800-521-0121** (in Michigan, **1-800-572-2424**).

**The Fuel Pincher Diesel**

**Available in Chevrolet, Ford and GMC medium-duty trucks.**

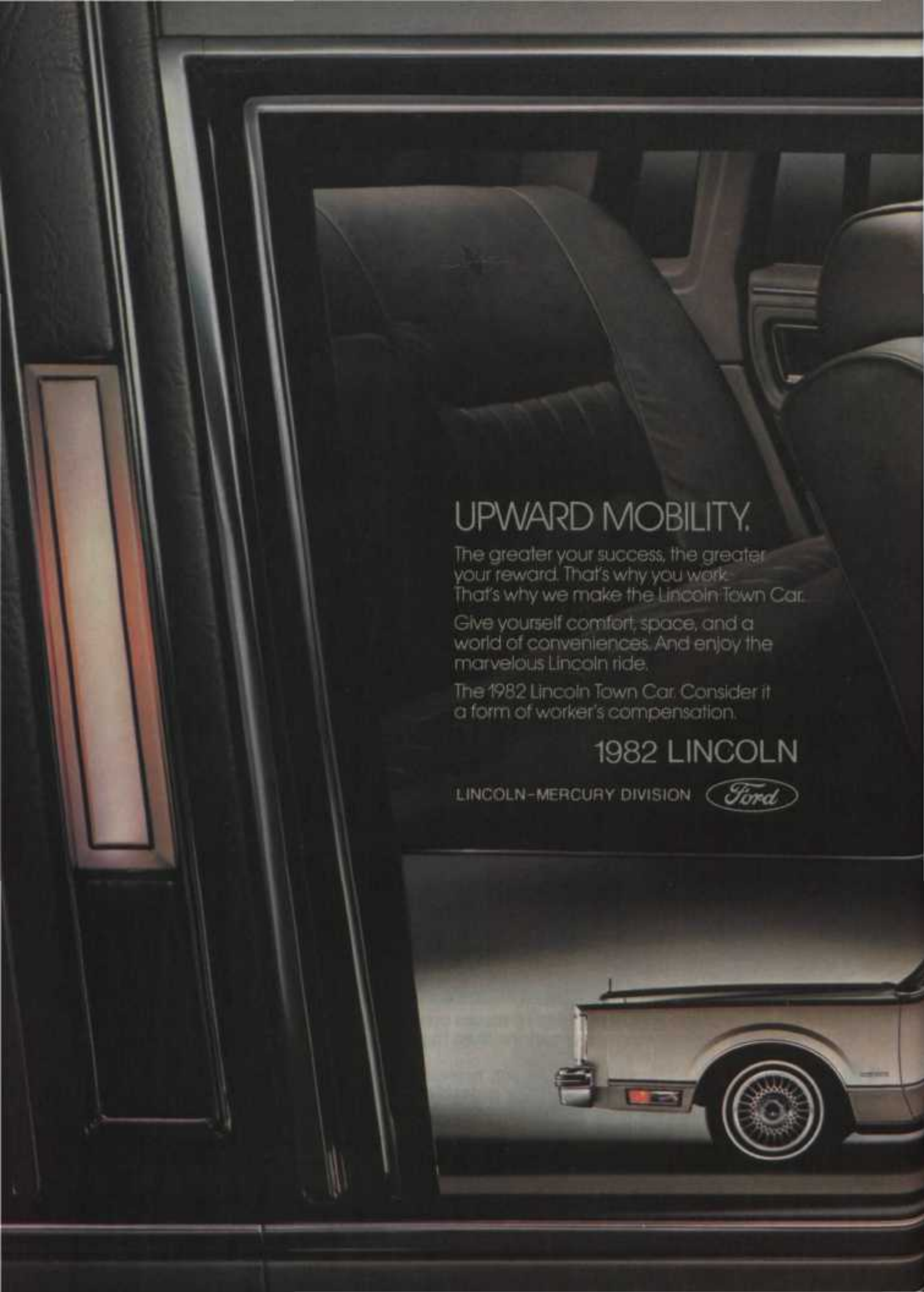

UPWARD MOBILITY.
The greater your success, the greater your reward. That's why you work. That's why we make the Lincoln Town Car.
Give yourself comfort, space, and a world of conveniences. And enjoy the marvelous Lincoln ride.
The 1982 Lincoln Town Car. Consider it a form of worker's compensation.
1982 LINCOLN
LINCOLN-MERCURY DIVISION
Ford





PHOTO: DENNIS BRACK—BLACK STAR



PHOTO: ROGER MATTS—UNIPHOTO

**Premier salesman for the New Federalism campaign will be the persuasive President himself; OMB Director David Stockman will work Capitol Hill for the administration.**

NEW FEDERALISM

# Ready for

By Rochelle L. Stanfield

*In a single stroke, we will be accomplishing a realignment that will end cumbersome administration and spiraling costs at the federal level while we insure these programs will be more responsive to the people they are meant to help and the people who pay for them.*
President Ronald Reagan
State of the Union
Jan. 26, 1982

THE PRESIDENT'S single stroke is a $47 billion plan involving a swap—Washington would pay the states' share of Medicaid in return for the states' taking on the full costs of food stamps and aid to families with dependent children and then return to the states about 40 federal programs along with the federal excise taxes to pay for them.

The President's proposal came as no surprise to those who have followed him closely over the years. While governor of California in the 1960s he urged returning power to the states. He campaigned for the presidency on that theme. And in March, 1981, shortly after he took office, he told a group of local officials of his dream of "turning back to local and state governments the tax sources we ourselves have pre-empted here at the federal level so that you would have those tax sources." As a bridge to that goal, last year he proposed a package of block grants—a handful of few-strings programs in place of dozens of highly regulated ones—and rammed them through a reluctant Congress. Although he didn't get everything he wanted on that round, his block grant victories have given pause to those who dismiss his new proposals as impossible.

"I think it's fair to say that we look at this New Federalism as the next step in fulfillment of the President's mandate of 1980," says presidential counselor Edwin Meese.

The President asked a subcommittee of his cabinet under Treasury Secretary Donald T. Regan to look into the dream. He sought suggestions from the U.S. Advisory Commission on Intergovernmental Relations, a permanent, bipartisan body that has called for sorting out government responsibilities. And in April, 1981, Reagan set up an advisory commission on federalism, headed by Sen. Paul Laxalt (R-Nev.). Named to the 41-member committee were six U.S. senators, six U.S. representatives, six governors, six state legislators, six mayors, six county officials and five private citizens, among them veteran political insider and Republican campaigner, F. Clifton White.

"I think everybody has been talking and studying this for quite a while, but nobody ever really thought that there would be a person with the vision and the courage to say, 'We're going to do it.' And that's what Ronald Reagan has done," says White, who with William J. Gill is author of a new book, *Why Reagan Won*.

Meese observes that "this is something that is a product of a long period of thinking by the President. It became an interest of his when he was a governor and saw the problems of trying to

---

ROCHELLE L. STANFIELD *is a staff correspondent for the* National Journal.

# Takeoff, But Will It Fly?

administer programs at the state level under a heavy set of regulations at the federal level."

Some members of the administration didn't take the dream very seriously, at least at first. Last August, Secretary Regan told the *Washington Post* that he didn't think the President would propose returning tax sources to the states before 1985. Laxalt's commission held a hearing on the subject in the fall but didn't come to any conclusions on how to implement the President's dream. The staff of the Advisory Commission on Intergovernmental Relations, meanwhile, worked out dozens of different possibilities for accomplishing a federal-state tradeoff. But at its meeting a few weeks before the state of the union message, that commission also decided to defer any decisions on specifics.

The White House staff was more decisive. The Office of Policy Development under the direction of Martin Anderson worked out several plans, including one based on earmarking a portion of the federal income tax for the states. The President's political advisers weren't enthusiastic, however. Finally, the White House legislative strategy group under James Baker III agreed on an alternative scheme involving excise taxes. The initial idea—developed by Regan, Office of Management and Budget Director David A. Stockman, and Assistant to the President for Intergovernmental Affairs Richard S. Williamson—was to increase federal excise tax rates enough to pay for all the programs that would be turned over to the states. Stockman liked that route because it would help reduce the deficit. But just a few days before the state of the union message, a delegation from the U.S. Chamber of Commerce met with Reagan and urged him not to increase those taxes. Hours later, Reagan left for his Camp David retreat in the Catoctin Mountains, where he wrote the final version of the message.



PHOTO: WAYNE MARTILLOTTA

**The battle will be won if the grass roots are organized, contends F. Clifton White.**



PHOTO: RICK BLOOM

**Presidential aide Richard S. Williamson will coordinate the coming campaign.**

For days before the state of the union speech, rumors had circulated around Washington about a New Federalism initiative, but none of the leaks indicated the extent of the proposal. Late Tuesday afternoon, a few hours before the President's evening address to the joint session of Congress, senior aides met with hundreds of reporters in the plush-carpeted auditorium known as Room 450 of the Old Executive Office Building to describe elements of the plan. The following day, January 27, Meese, Stockman, Baker and Regan again briefed a full house of reporters in Room 450, providing more specific numbers. On January 28 those aides treated a dozen columnists to lunch in the Roosevelt Room of the White House. Meanwhile, Williamson went across town to a hotel where the U.S. Conference of Mayors was holding its annual midwinter meeting.

On February 1, the following Monday, the President met with six governors, several state legislators and a few members of Congress to begin intense negotiations over the details of the plan, which will finally be presented to Congress this spring. Stockman made the opening pitch to Congress at Senate hearings on February 4.

Though the initiative is dramatic, aides insist it is not fanciful. It is "a process for accomplishing this realignment within the practical constraints of the political system as it exists today," says Stockman. "I think that that is very important, and major features of the design are clearly keyed to that fundamental notion—how you bring it about, how you get the job done."

BUT REACTION to the New Federalism was mixed, even from the one constituency the administration expected to have on its side—the governors who for years have been clamoring for more power and flexibility.

Vermont Gov. Richard A. Snelling, a Republican who heads the National Governors' Association, expressed several concerns, including his belief that the federal government should retain a role in certain functions, especially the attempt to erase taxing disparities between rich and poor states.

Later, after a meeting with Reagan, Snelling commented, "I would say that

## How the Swap Would Work

The plan the President presented in the state of the union message is complex and long range, taking until 1991 to be complete. In essence, it has two parts, which the administration says are "inseparable." On Oct. 1, 1983, the federal government would take over all state expenses for the rapidly rising Medicaid program, which the administration figures will cost $19.1 billion that year. In return, the states would have to pay the $16.5 billion that the White House figures for food stamps and welfare.

That part of the deal is mandatory. The other half of the proposition would be voluntary for four years, through September, 1987. During that time the states could take responsibility for any or all of some 43 federal programs that fund public services, such as transportation, social services, community development, waste treatment and job training. The administration figures those programs would cost the government about $30 billion in the year beginning Oct. 1, 1983.

The federal government would continue to operate those programs the states don't take on. But the states would not have to continue the programs they did assume. They could use the money for similar programs—say a state's own version of the Comprehensive Employment and Training Act. Or they could simply eliminate the function and use the funds for other purposes, including state tax reduction.

All the money to pay for those programs—whether the federal government or the states operate them—would come from a $28 billion trust fund supported by $11 billion in federal excise taxes on alcohol, tobacco and telephones, plus half the gasoline tax and $17 billion from the "windfall profits" tax on oil.

On Oct. 1, 1987, federal responsibilities for those programs would end, and the trust fund, along with the taxes that supported it, would begin to phase down. If the states wanted to continue those programs, they would simply pick up the taxes relinquished by the federal government. Taxpayers would pay the same amount but to a different tax collector. On Oct. 1, 1991, the federal government would be totally out of both the federal programs and the excise taxes.

my attitude toward this program started out as appreciatively skeptical merely from the standpoint that it is a very bold idea. As a conservative, I think people ought to approach bold ideas with a certain amount of skepticism."

"I have some questions now about it," echoed Gov. George Busbee of Georgia, a Democrat and one of the six governors on the Advisory Committee on Federalism. "I'm anxious, I'm excited and I think the other governors will be, to work with the administration, with the leadership in the Congress, in trying to stop this removal of government from the local and state levels to the Potomac."

What calmed the governors' initial fears was the insistence by the President and his aides that the proposal is merely a framework, that most of the specifics are open to negotiation, and that the White House will consult with state and local officials.

That hasn't placated blacks, organized labor, urban groups and other traditional liberal interests. Several black leaders characterized the proposal as not New Federalism but "the Old Confederatism."

Many city leaders were similarly uneasy. "I wonder if we are moving toward a time when the only imperatives of our national government are the manufacture of money, stamps and missiles," says Mayor Helen Boosalis of Lincoln, Nebr., president of the U.S. Conference of Mayors. At that organization's midwinter meeting in Washington, a few days after the state of the union message, she pleaded for a role in developing the final policy but despaired that "we may see our President's dream for America turn into a nightmare for her people."

THE MAYORS' biggest worry is that the states won't pick up the programs the federal government turns over to them. They say the federal government started providing services in the first place because states didn't accept those responsibilities.

On the other hand, some conservatives don't believe many of those programs should continue, at least in their present form.

MEMBERS OF Congress and many onlookers have a variety of other concerns. Some question the use of the "windfall profits" tax as a foundation for the financing of the program, since states without oil producers won't be able to pick up the tax when the federal version phases out. Others criticize the excise tax as hurting the poor more than the rich and not growing with the economy. Members of Congress, whether they admit it or not, may be leery of doing away with programs that they sired and now supervise. However, others believe there has been such a turnover in Congress since many of those programs were set up—and such a turning toward conservatism—that that will be less of an issue.

Some Congress watchers simply wonder when the House and Senate will find the time to enact such sweeping legislation before October 1. Congress must take up the fiscal 1983 budget before it deals with a program that won't go into effect until fiscal 1984. And there is the question of power on the Hill—the New Federalism will affect the authority and functions of most congressional committees.

The President has less to worry about in the Republican-controlled Senate. Early indications are that the Senate leadership will try to expedite consideration. But in the House, where Speaker Thomas P. "Tip" O'Neill (D-Mass.) is suspicious of the proposal, things will probably be very different. He has promised "thorough and comprehensive" hearings, which many believe will delay any action until next year and perhaps beyond.

That assessment doesn't take into account the President's obvious zeal for the program. "The President is going to put his full political weight behind it," promised Williamson.

A very persuasive President started on the road in early February with appearances before state legislators. Meanwhile, in Washington key administration officials are negotiating with Congress and state and local officials to hammer out the final details. And there is movement in the private sector. White, for example, envisions establishing a James Madison Society with chapters in each state to rally grass-roots support for the idea.

All of which will be needed, for indeed, the President faces a rocky road. □

# Dictaphone has made word processing as easy as dictating.




For six decades, Dictaphone has been helping offices get more work done.

First with dictation, then with voice processing systems. And now Dictaphone has taken all this experience and turned it into the most advanced word processor on the market.

The Dictaphone Dual Display has some unique advantages. One, a single-line keyboard display shows prompts and text as entered. The other, a full 66-line display screen lets you edit a full page at a time instead of mere paragraphs.

What's more, Dual Display comes with factory installation, free classroom or on-site operator training plus in-person follow-up service. Other word processors come in a box. With instructions.

So for everything from dictation to word processing, call on Dictaphone first. In business we make it easy to start at the top.

WNB-32

**Call your Dictaphone representative or complete the coupon today. Call toll-free:**

**1-800-431-1052**
(Except Hawaii and Alaska)
In New York call 1-914-967-6067

Name _____

Title _____ Phone _____

Company _____

Address _____

City _____ State _____ Zip _____

**Mail to: Dictaphone Corporation**
**120 Old Post Road Rye, New York 10580**

Dictaphone & Dual Display are trademarks of Dictaphone Corporation, Rye, New York

©1982 Dictaphone Corp.

Dual Display Dictaphone
A Pitney Bowes Company

# Countrywide Call For Volunteers

## A blue-ribbon group is out to get Americans to give more of themselves.

By Mary Tuthill

CRITICS SAY it can't be done. But the President's Task Force on Private Sector Initiatives, with less than a year to carry out its mission, is preparing to meet the challenge.

"What we're asking you to do is to help rediscover America," President Reagan told the task force at its first meeting in Washington last December. He urged members to "revive the America whose initiative, ingenuity and industry made our country the envy of the world ... whose rich tradition of generosity began with simple acts of neighbor caring for neighbor."

It took initiative and ingenuity on the President's part just to locate his choice for task force chairman, C. William Verity, Jr., chairman of Armco Inc., in October. Verity and his wife, Peggy, were aboard the *Queen Elizabeth II* returning from a European vacation. Suddenly the whole ship was in a state of excitement as the crew tracked Verity down. The President was waiting on the line. Would Verity accept the appointment?

Verity wasn't the only person eager to serve on the 35-member task force. In fact, so many people wanted to be part of the bipartisan group that it now has 44 government, corporate, trade association and union leaders and representatives of nonprofit organizations, the media and religious groups.

The aim of the task force is to enlist the help of corporations, unions, religious groups and foundations as partners with local governments to tackle various social problems as the administration passes much of the responsibility for them back to the state and community levels.

"To get this thing started," says Verity, "the Commerce Department was asked to make some office space avail-

## The Task Force—A Cross Section of America

The President's task force on private initiatives has set up 10 committees to implement its work.

A models committee, which will gather examples of effective programs and promote workable concepts, is headed by American Enterprise Institute President William J. Baroody, Jr.

Jeri Winger, first vice president of the General Federation of Women's Clubs, will coordinate an effort to generate initiatives at the local level.

Rep. Barber B. Conable, Jr. (R-N.Y.), ranking Republican member of the House Ways and Means Committee, chairs a committee that will look at governmental barriers to private initiatives.

Jean L. Harris, secretary of human resources for the state of Virginia, is liaison with the agencies working on private sector initiative.

Delaware Gov. Pierre S. du Pont IV serves as liaison with the nation's governors and will try to foster private-public partnerships at the state level.

William C. Norris, chairman and chief executive officer of Control Data, heads a committee looking into existing and potential incentives for private sector initiatives.

John H. Filer, chairman of Aetna Life & Casualty, leads a committee for national organization liaison.

Thomas S. Wyman, president and chief executive officer of CBS, heads a committee for recognition and awards.

The American Stock Exchange's chairman and chief executive officer, Arthur Levitt, Jr., chairs a contribution strategy committee, which will look at private philanthropy.

Frank Pace, Jr., heads a committee to marshall the resources of the nation's retired executives. Pace is chairman and chief executive officer of the National Executive Service Corps, which matches nonprofit organizations needing management assistance with senior and retired corporate officers willing to share their expertise.

Other members of the task force:

William Aramony, president of United Way; Helen G. Boosalis, mayor of Lincoln, Nebr.; William R. Bricker, national director, Boys Clubs of America; J. Richard Conder, president, National Association of Counties; Terence Cardinal Cooke, Archbishop of New York; Kenneth N. Dayton, executive committee chairman, Dayton-Hudson Corporation.

Also: Walter G. Davis, AFL-CIO director of community services; Sen. David Durenberger (R-Minn.); Luis A. Ferre, former governor of Puerto Rico; Max M. Fisher, founding chairman of Detroit Renaissance; John Gardner, Independent Sector chairman; Daniel Gilbert, president, Eureka College.

Also: James F. Henry, president, Center for Public Resources; Edward V. Hill, pastor, Mount Zion Baptist Church, Los Angeles; Dee Jepsen, advisory board member, STEP Foundation; Michael S. Joyce, executive director, John M. Olin Foundation; Edward H. Kiernan, president, International Union of Police; Robert D. Lilley, chairman, Local Initiatives Support Corporation.

Also: Henry Lucas, Jr., chairman, New Coalition for Economic and Social Change; Leslie L. Luttgens, chairman, Council on Foundations; Richard W. Lyman, president, Rockefeller Foundation; Cornell C. Maier, chairman, Kaiser Aluminum & Chemical Corporation; Elder Thomas S. Monson, the Mormon Church; Robert Mosbacher, Jr., vice president, Mosbacher Production Company.

Also: Franklin D. Murphy, executive committee chairman, Times Mirror Company; Tom Pauken, director, ACTION; George Romney, chairman, National Center for Citizen Involvement; James W. Rouse, chairman, the Rouse Company; Andrew C. Sigler, chairman and chief executive officer, Champion International; Ellen Sulzberger Straus, president, WMCA Radio.

Also: Rev. Leon Sullivan, founder, Opportunities Industrialization Center; Alexander Trowbridge, president, National Association of Manufacturers; William S. White, president, C.S. Mott Foundation.



PHOTO: KARL SCHUMACHER—THE WHITE HOUSE

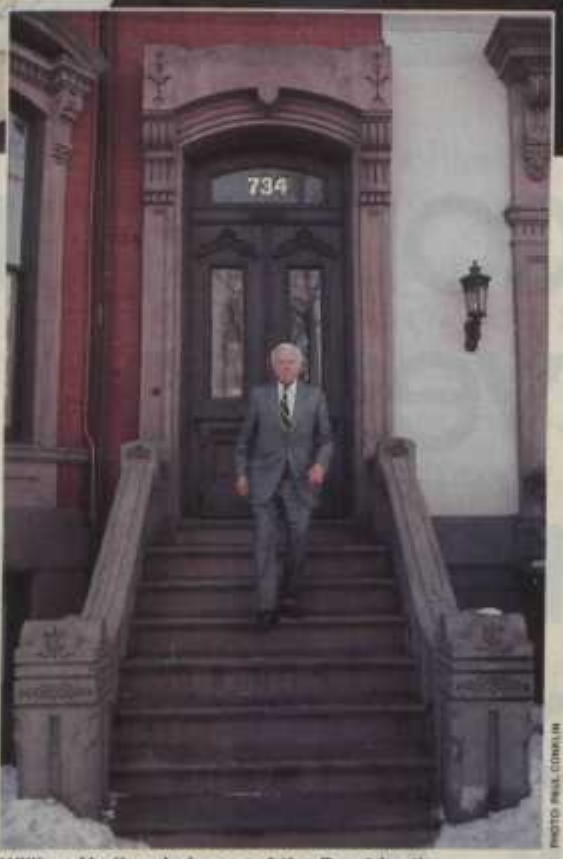



PHOTO: PAUL CONKLIN

**William Verity, chairman of the President's task force to promote voluntarism, consults with Reagan at the White House (top). Headquarters of the all-volunteer group are in a nearby townhouse.**

able to us and we were given a budget of $105,000. All the people who work for the task force are on loan from private organizations."

The choice of office space offers a happy coincidence. Task force headquarters are in Glover House, facing Lafayette Park across from the White House. The three-story townhouse was built in 1883 for the president of Riggs Bank, a well-known philanthropist.

Numerous gifts of money and offers of time have come from people who want to help. "After our first press conference announcing the formation of the task force, two women came up and volunteered to work for us," Verity recalls. "They have been in the office working every day since then."

DESPITE SUCH EVIDENCE of support, Verity does not expect the going to be easy. There are also many critics. E. Patrick McGuire, an executive director of the Conference Board, a nonprofit business research institute, says the board's contacts with private agencies indicate that few if any corporate nongivers have been moved by the President's call for voluntarism. Although companies that give plan to give more, he says, the increase will be a normal year-to-year rise related to higher profits and inflation.

McGuire's comments are based on a survey of more than 400 major corporations, whose contributions accounted for most of the $2.7 billion of corporate philanthropy last year.

One corporate executive told the Conference Board, "Our company supported the President because we believed in the elimination of a number of these programs. Naturally we're not too enthusiastic about continuing the programs and shifting the burden to the corporate sector."

The survey, says Verity, "was taken in August and September, before the President began his effort. There is no question that business cannot fill the entire gap, and no one should be talking that way. "I have the feeling that as we start these community partnerships, you are going to find a lot more individuals and corporations willing to make contributions, and I think you're going to find a lot of them seriously interested in increasing their giving."

Verity reports that at a recent meeting of mayors, "one mayor told the group, 'By no means do we want to get into the position where someone thinks that we ought to organize to do all the things that are now being done. We've had a citizens' review committee in our city that found a lot of duplication, a lot of waste, and there was no longer any reason for some of the things that were being done. We shouldn't be trying to fill the gap; we should be deciding what it is we need and then do something about it.'"

A prime example—one cited by President Reagan in his state of the union message—is the New York City Partnership. That alliance of business and civic leaders found jobs for 14,000 young people last summer.

Before the task force disbands in December, 1982, Verity hopes to get the most successful of such programs duplicated in hundreds of other cities and towns.

The task force will act as a clearinghouse for these programs. "We don't



# Teleconferencing gives you an electronic meeting room as big as all America.



The conference is a monster. It gobbles up, on the average, 45 per cent of the time of executives.

But a teleconference, by reducing travel, saves you time. This leaves you free to handle urgent problems, clear up detail work, and concentrate on your strategic planning. You become more productive.

A teleconference, operating through the Bell network, can connect several cities at once. To include more people, you can use a device as simple as a Speakerphone. Or go full scale with a conference room that lets you receive hard copy or demonstrate something on a Gemini® 100 electronic blackboard.

With a teleconference you can reach the offices of your company, customers, or vendors. You bring in people who could not otherwise attend. You review policy, resolve problems, introduce products, train personnel.

You can do all this because of the amazing range of capabilities of the Bell network, the world's largest and most advanced information management system.

You are already part of the network. Use it. Put our knowledge to work for your business. **Bell System.**

## The knowledge business

**Nation's Business**
**Reprints**

Order your personal copies of these timely articles today!



Pentagon: Can It Cut Waste? p. 22

Bringing a Company Back From the Brink . . . p. 76

The Franchising Wave Of the '80s p. 82

Send your order and check to:
**Nation's Business Reprints**
1615 H Street, N. W. (202) 659-6029
Washington, D. C. 20062

| | |
|---|---|
| 1 to 9 copies | $1.49 each |
| 10 to 29 copies | .98 each |
| 30 to 99 copies | .69 each |
| 100 to 999 copies | .49 each |

More than 1,000 copies, please call.
Reprints from past issues are available.
Single copies of this issue: $2 each.

**Request our FREE complete new reprint catalog.**

**Low price time clock helps small companies meet strict requirements of wage-hour law**

For fast information at no obligation, phone TOLL FREE 1-800/241-4990, (in Georgia phone collect 404/691-0400), or mail coupon.



LATHEM TIME RECORDER COMPANY
174 Selig Dr., S.W., Atlanta, Ga. 30336
Please send me data sheets and prices.

Name_____
Company_____
Address_____

Lathem
TIME RECORDERS
PROGRAM TIMERS
TIME STAMPS
WATCHMAN CLOCKS

want to reinvent the wheel," says Verity. "We want to build on what already has been done."

Another model program comes from the Chamber of Commerce of Middletown, Ohio. Last year, at Verity's suggestion, it created a citizens' committee to review federal money coming into the town and its impact. It is now taking the second step: A partnership, including the mayor and representatives of civic organizations, business and labor, has been formed to decide what to do about community needs.

"I'd say there are now about 80 to 90 communities around the country that are following the Middletown model," says Verity, former chairman of the U.S. Chamber of Commerce, which estimates that more than 500 local chambers of commerce are working on programs that will encourage community involvement in voluntarism.

At Armco, Verity says, "we have created a corporate responsibility department to find areas where we can take a positive approach to developing some program that will help instead of waiting and reacting when someone comes to us with an idea."

One of the Armco programs is a $500,000 grant to Wilmington College to rehabilitate prisoners by training them for jobs that the private sector will offer when they are released.

The two-year training program is already in place at the college. The second step, Verity says, is more difficult: getting local communities to agree to accept the people when they come out of the program. But Armco is confident that that part of the program will work, too.

ALSO STRIKING an optimistic note is Stephen Delfin, director of media relations for the United Way of America. "It seems that those who can give give more during depressed times," he says.

Donations to the organization in 1981 were the highest in 25 years and represented an increase despite inflation. There was an overall increase of about 11 percent in 1981 over the $1.53 billion collected in 1980. Corporate giving in that period showed an increase of about 15 percent. This, says Delfin, makes 1981 "the biggest year since the first year of the Depression."

United Way, which is represented on the task force, is working with the public and private sectors to meet community needs. In Philadelphia, for example, the organization has helped form a Consortium for Human Services. United Way is also acting as a catalyst for

PHOTO: NB/WR



**The task force doesn't want "to reinvent the wheel," says Verity. "We want to build on what already has been done."**

bringing together the public and private sectors in Dayton; New Orleans; Rochester, N.Y.; Tucson, Ariz.; Minneapolis; Newark, N.J.; Seattle; and the states of California, Florida, Texas and New York.

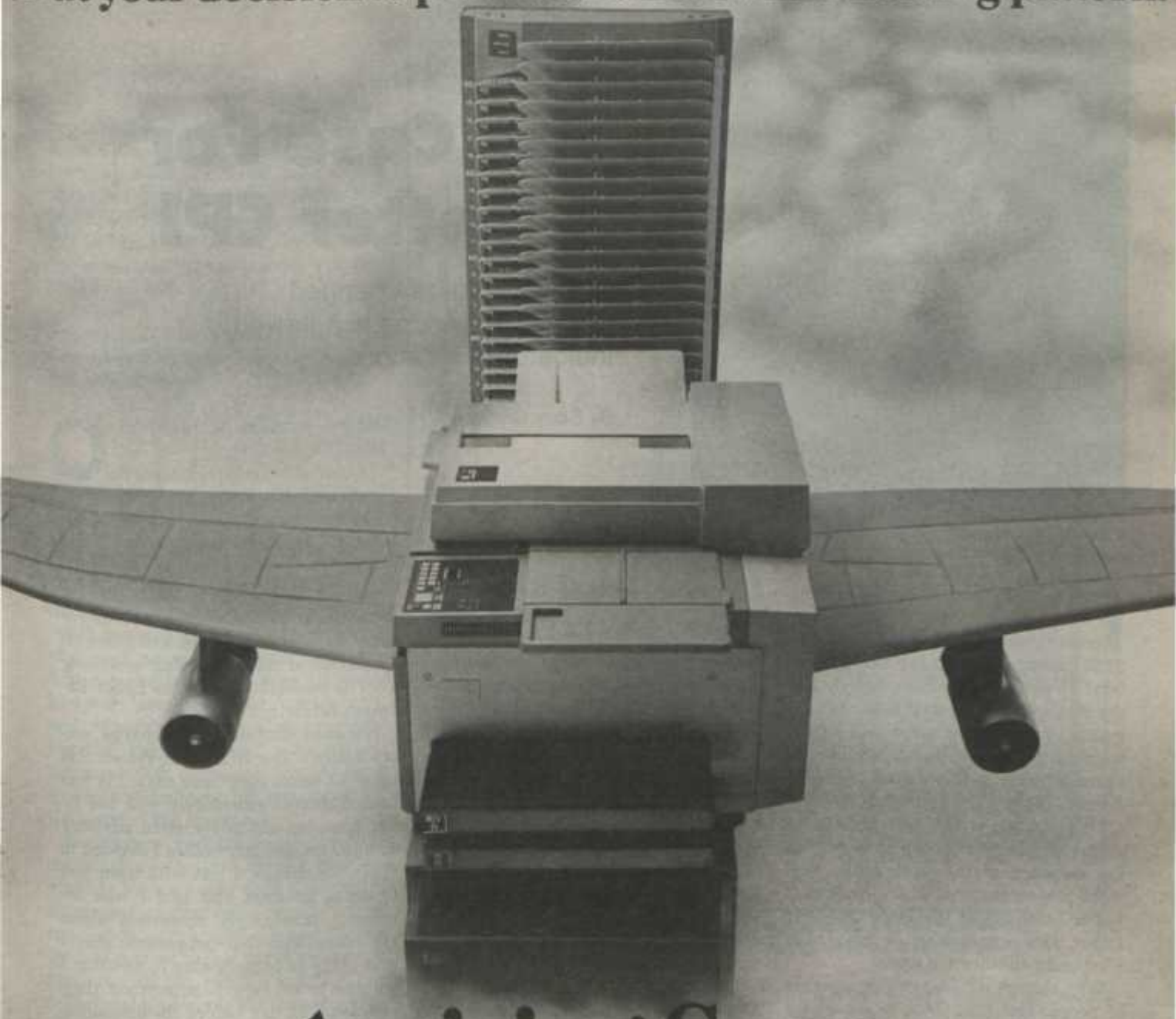
The priorities emerging in those areas include funding for day care, emergency food and shelter programs, jobs for youth, in-home services, and programs for battered and abused women, children and old people.

Though it doesn't expect to see many problems solved by the time it disbands, the task force expects the individual partnerships to take on a life of their own. Even the data bank using the White House computer will be taken over and continue to be maintained by the private sector.

If the trend toward increased giving and community involvement continues, it may indicate that people have already started moving in the direction that Verity says will be necessary for the task force to accomplish its mission.

"For the whole thing to work," Verity says, "there has to be more individual responsibility, more self-reliance, more acceptance by the community that it has a responsibility for filling needs rather than expecting them to be filled by the federal government." □

Put your decision to purchase a Xerox in a holding pattern.



# Arriving Soon.
# Royal's Non-Stop Copier.

## The high volume copying system you can land for a lot less than a Xerox.

ROYAL ROYAL
ROYAL BUSINESS MACHINES, INC.

(800) 243-8160 In Connecticut (800) 842-0225

A copier for every task.

Xerox is a registered trademark of Xerox Corporation.

© 1982

TA

PHOTO: RICK BLOOM



Congress is unlikely to challenge the changes proposed by Janet Norwood, BLS commissioner.

# The Case For A Better CPI

## This soon-to-be-changed measure of prices is a flawed indicator of inflation.

By Barry Crickmer

IT IS CALLED the world's most politicized number. Each 1 percent increase raises federal spending by $2.25 billion. It affects the income of at least 75 million Americans directly and the rest indirectly. Social Security payments, government pensions, union wages, business contracts and even divorce settlements are pegged to it. And Janet L. Norwood wants to change it.

The number is the consumer price index, which most people think of as the measure of inflation. Janet Norwood is commissioner of the Bureau of Labor Statistics at the Department of Labor. Her organization designs, compiles and publishes the index.

Why change it? "A growing number of people feel that there is something wrong with the index," explains Norwood, "and it is essential that public confidence in it be maintained."

Public confidence has slipped because of a well-founded suspicion that the CPI overstates the rate of inflation. Experts cite three causes for this tendency toward inaccuracy: the way housing costs are measured, a "substitution bias" and the effect of supply shocks.

Norwood plans to change the method of calculating housing costs. The revised index would be introduced in two phases: January, 1983, for the CPI-U and January, 1985, for the CPI-W.

The CPI-U, introduced in 1978, is designed to represent the consumption patterns of all urban consumers. This is the number that makes the news when the official inflation figures are announced. The CPI-W was developed to calculate cost-of-living increases for shipyard workers in the First World War. It represents the consumption patterns of urban wage earners and clerical workers. Union contracts are tied to the CPI-W. Some federal programs use one, some the other. The two indexes are usually very close: For the 12 months ending last December, the CPI-U rose 8.9 percent while the CPI-W went up 8.7 percent.

Reaction to the planned revision takes two forms. Those concerned primarily with the accuracy of the index tend to approve, although often with reservations, especially about the two-phase introduction. "For two years we will have an officially acknowledged inaccurate measure of inflation," says James A. Clifton, director of inflation studies at the U.S. Chamber of Commerce. Clifton is also an adviser to the BLS, which maintains business, labor and academic panels on the CPI.

Then there are those whose incomes rise with the index. Their representatives see the issue in terms more green than black and white. "If you don't like the measurements, invent a new yardstick," snorts AFL-CIO President Lane Kirkland.

The move is called "a backward one" by Rudolph Oswald, director of economic research for the labor federation. He charges the Reagan administration with "seriously weakening the nation's ability to understand inflation and ..., destroying the information base used by labor and management in collective bargaining."

Oswald also protests that "the announcement of this change took us entirely by surprise. There had been no discussion of this impending move—or even its possibility—with the Labor Research Advisory Council."

Norwood dismisses this charge emphatically. "The BLS staff raised this issue 10 years ago," she says. "It has been discussed extensively with our labor, business and government advisory committees. Shortly before I decided to make the change, I met with labor and business advisers and said I was becoming increasingly concerned about the homeownership component, that I was going to be reviewing it, and that I wanted to be sure I understood their position. The day before the announcement, I informed the chairman of the labor advisory committee and also Rudy Oswald."

THERE IS IMPLIED in the debate an assumption that the new CPI will rise less rapidly than the old. But is such an assumption justified? Recent history suggests that it is. For two years the BLS has produced an experimental index, the CPI-U X1, that is very similar to the new CPI. As the graph shows, the CPI-U has tended to peak a point or two higher than the CPI-U X1, but the two are close together in the troughs.

Surprisingly, though, experts on all sides deny that such behavior can be anticipated in the future. "History does not always repeat itself," warns Norwood. The change "will not necessarily

produce a more slowly rising index," says Clifton. "The revised CPI will grow at much the same rate as the unrevised index," estimates Alice Rivlin, director of the Congressional Budget Office. Even Oswald says there is "no assurance" the new index will produce lower inflation rates.

To resolve that paradox, you have to understand how the calculation of homeownership costs has been skewing the present index.

ONCE EVERY 10 years or so, the BLS determines how the typical consumer spends his money. The products and services so identified form a hypothetical "market basket." Each item is weighted to reflect its prominence in the consumer's budget. The BLS then tracks monthly price changes of the market basket items.

For something that is consumed rapidly, such as a hamburger, there are few measurement problems. Houses, however, are purchased infrequently and "consumed" over long periods. Further, they represent a capital investment that often appreciates. How to account properly for housing is at the heart of the controversy.

Contrary to popular belief, the BLS methodology does not assume that everybody buys a house once a month. It assumes that the same proportion of consumers who bought a house during the last market basket survey—about 6 percent—will buy one this year.

The real problem is the way the BLS allocates mortgage costs. The interest costs accruing in the first half of a 30-year, fixed-rate mortgage's term are calculated for the current price of a representative house purchased at current mortgage rates. This total, called "contracted mortgage interest cost," is added to the price of the house to get most of the homeownership component of the market basket.

When both house prices and mortgage rates are rising, this formula produces a rate of increase for contracted mortgage interest cost that is faster than that for either house prices or mortgage rates.

For example, between December, 1977, and July, 1980, the purchase price of the representative house increased 36 percent, the mortgage interest rate rose 51 percent, but contracted mortgage interest cost went up 105 percent.

"This component of the CPI has to be one of the weirdest concoctions ever put together," says George Terborgh, economic consultant to the Machinery and Allied Products Institute.

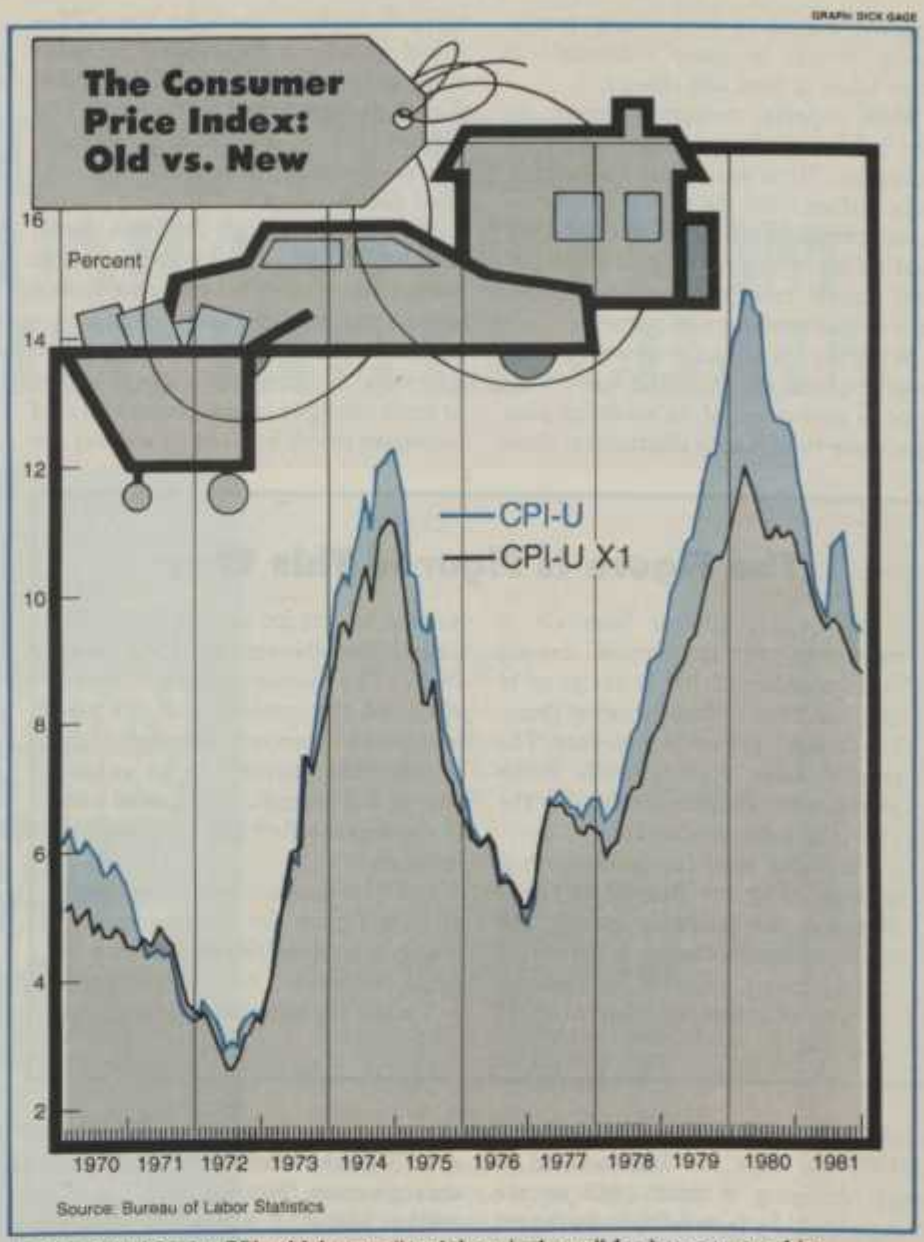
More problems: Few buyers end up paying today's posted mortgage rates, 16 to 18 percent. And "creative financing" often results in an effective discount of the official selling price of a house. Yet the BLS registers rates and prices at face value. Further, the BLS formula assigns a weight of 45.5 percent to housing. "Anyone who thinks urban America devotes this share of its consumption to housing should think again," comments Terborgh.

For all those reasons, the BLS and its supporters believe it would be more realistic to treat housing as a service, using rent to approximate the cost of that service for both renters and homeowners. Labor representatives, however, doubt that the bureau can accurately calculate rent for nonrental housing.

Using rental equivalence for housing and reducing its weighting to 36.7 percent of expenditures are the only differences between the present and the proposed indexes.

Why is it unsafe to assume that the new index will be lower than the old? First, a decline in either house prices or mortgage rates would bring down the old index faster than the new one. Second, it takes longer for rising costs to work their way into rents than into home purchases. Thus, cost increases in construction, energy and interest—already reflected in the present CPI—may show up later in the new index. Also, since the new index gives greater

GRAPH: DICK GAGE




**To see how the new CPI, which uses "rental equivalence" for homeownership, will differ, compare the present CPI-U (blue line) with the experimental CPI-U X1.**

relative weight to nonhousing components, it will be more vulnerable to price hikes in food and energy.

Most experts, however, expect the new index to be less volatile—an important plus. "It is extremely confusing," says Clifton, "for the public to hear, as it did during the first quarter of 1980, that inflation was running at an 18 percent annual rate, only to hear that in July it was running at 0 percent."

Why the two-phased change? Norwood explains that the BLS has always tried to give users of its statistics plenty of time to adjust to alterations. Since most labor contracts are tied to the CPI-W, she says the BLS wanted to delay changing it until 1985 so the change could be factored into forthcoming negotiations. (Many contracts run three years.) But CPI-U data from 1983 and 1984 will be used to adjust federal tax tables for inflation. Since that adjustment must be announced in December, 1984, Norwood wants the CPI-U changed before then.

Opponents of the two-phase concept say the BLS could make the change in both indexes now, then continue to publish the old index. That way, there would not be mismatching official indexes. Norwood replies that users may choose among numerous federal indexes. Also, the old CPI-U and CPI-W will be calculated for six months after the new ones are introduced.

What are the remaining problems with the index? Economists identify at least two.

One is "substitution." Suppose you are buying one $4 steak a week. The price increases to $5. Instead of paying more, you substitute a $3 chicken.

A price index based on a constant market basket—such as the CPI—would register a $1-per-week increase in the prices affecting you. The implication is that your cost of living has increased. But by switching to chicken, you are actually paying less for that meat dish. So your cost of living has not increased, even though the index says it has. Yet if you value steak more than chicken, the switch has caused a decline in your standard of living.

That situation raises three important questions: 1. Should an index designed to track changes in the general level of consumer prices be used as a proxy for changes in the cost of living? 2. Should the CPI take account of substitution through more frequent updating of the market basket? 3. Should inflation compensation protect its recipients from changes in their cost of living or changes in their standard of living?

If the CPI exaggerates increases in the cost of living, those who receive CPI-based compensation may be overpaid. Norwood says BLS research has found the substitution effect small—"no more than one-tenth of an index point per year."

Clifton puts the substitution bias at 0.5 percent. Yes, that is small, he says, but "small is a relative term." He estimates the bias led to $2.2 billion in unwarranted federal spending for fiscal years 1979 and 1980 combined and cost business nearly $1 billion in excess cost-of-living payments in 1978-80.

Unfortunately, changing the CPI to reduce the substitution effect would make it a less reliable gauge of what's happening to the price level. If the index switches from steak to chicken when you do, it cannot also reflect the increase in the price of steak.

The last major CPI problem is what economists call exogenous shocks, or supply shocks. The OPEC petroleum price increases are a classic example. Such price increases cause a rise in the CPI. But an individual price increase does not necessarily represent inflation. The petroleum price hikes transferred real wealth from the petroleum importing countries to the exporters, so our standard of living declined.

The decline should be shared by all members of society, economists say. But it isn't shared if some get a raise when the CPI goes up while those with less income protection pay both the price increase and the taxes to fund the additional CPI-based compensation.

NORWOOD SAYS the CPI does what it is supposed to do: measure price changes. The problem is using it as a cost-of-living index. The solution is not to change the CPI, she says, but to use some other index for cost-of-living adjustments.

Clifton agrees. "Adoption of an underlying or core rate of inflation approach to the indexation of federal programs is the most straightforward and honest way to factor out supply shocks," he says. Such indexes are already available from the Commerce Department and from Data Resources, a Lexington, Mass., econometric firm. Clifton calculates that the effect of supply shocks on the CPI added $7.1 billion to federal expenditures in 1981, compared with $4.2 billion from the mismeasurement of housing costs.

He would also like to see the upward bias of the old index in recent years removed retroactively to prevent it from distorting future comparisons.

The changes proposed by Norwood are a sure thing. She has authority to make them herself. Congress could overrule her by passing the necessary legislation, but that is unlikely. An index that rises less rapidly would help get Congress around the problem of controlling the growing cost of Social Security, federal pension and other entitlement payments without angering their recipients.

The U.S. Chamber has formed a Task Force on CPI Reform, chaired by Donald C. Miller, vice chairman and director, Continental Illinois Corporation, and a member of the Chamber's board. It plans to cooperate with the BLS in seeking further improvements in the CPI and related indexes.

In the meantime, as Clifton sums it up, the BLS is taking "a step in the right direction that is long overdue." □

## The Figure Is Figured This Way

At roughly 10-year intervals, a new base year is selected, and an index number of 100 is assigned to represent the average level of "market basket" prices in that year. The present base year is 1967. When prices rise 10 percent above the base, the index reads 110.

The index level for each month is announced by the Bureau of Labor Statistics the following month. The month-to-month change is converted into a percent, adjusted for seasonal factors and compounded over 12 months to get an annual rate. The CPI-U for December, 1981, was 281.5. The month before, it was 280.7. So the increase was 0.3 percent, or 0.4 percent seasonally adjusted. That converts to an annual rate of 5.2 percent. The annual rate is the figure often used to measure inflation.

The BLS does not publish an annual rate figure for month-to-month changes because the swings can be large. However, bureau personnel will make the conversion on request.

# YOU DON'T GET THIS GUARANTEE FROM ANY OTHER HOTEL CHAIN.

## HOLIDAY INN® "NO EXCUSES"™ ROOM GUARANTEE

- Your room will be right.
- Or we will make it right.
- Or we will refund the cost of your room for that night.

DEAR GUEST:

Thank you for choosing a Holiday Inn® hotel. We want you to feel welcome . . . and comfortable. That's why we give you this "No Excuses" guarantee.

- Your room will be right. It will be clean, everything will work properly, and you'll have enough of everything you need.
- Or we will make it right.
- Or we will refund the cost of your room for that night.

"No Excuses!" If you are not satisfied with your room, call the manager on duty who will make every effort to correct the problem, or move you to another room. If these efforts are not satisfactory, and you believe the problem is serious enough to warrant a refund, discuss the problem with the manager and ask for a refund request card. If you have any problem obtaining or completing this card, call 800/238-8000 and ask for Guest Services.

Again, thank you for giving us the opportunity to take care of you. I hope you will have a pleasant evening.

Sincerely,

JAMES L. SCHORR
President, Hotel Group,
Holiday Inns, Inc.

**YOU'LL FIND THIS GUARANTEE IN EVERY HOLIDAY INN ROOM.**


Schools/Colleges
Insurance
by INA


Contractors
Insurance
by INA


Restaurants
Insurance
by INA


Hardware Stores
Insurance
by INA


Bakeries
Insurance
by INA


Clothi
Insura
by IN


Food Stores
Insurance
by INA


Churches
Insurance
by INA


Shoe Stores
Insurance
by INA


Apartment Buildings
Insurance
by INA
Apt. 101
Apt. 201
Apt. 301
Apt. 401


Retail Druggists
Insurance
by INA


Book
& Stat
Stores
Insura
by IN


Funeral Directors
Insurance
by INA


Motels/Hotels
Insurance
by INA
126


Dry Cleaners
& Laundries
Insurance
by INA


Condominiums
Insurance
by INA


Convenience Stores
Insurance
by INA
2.53MEAT
.69GROC
.79DAIRY
0013
10.00CASH


Printer
Insura
by IN





















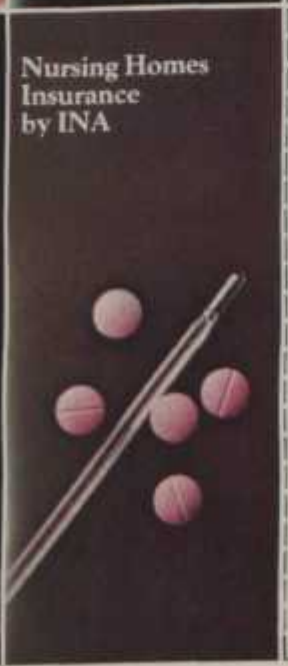













# We've got your business covered at INA. Send for a free brochure to find out how.

Your business is complicated, and so are your insurance problems. At INA, we understand the specific needs of your industry and we can help.

We've prepared a free brochure that details a comprehensive insurance program organized and tailored to meet your needs. Each is written in clear English that tells it straight.

Our packages of property and casualty coverages, including options and important additional services make sense for today's businesses and organizations.

So look for your industry to the left, check it off on the coupon below and mail it to us.

INA The Professionals

Check the appropriate title below, fill out your name and address and mail to:

INA Corporation, 1600 Arch Street, Dept. R, Philadelphia, PA 19101

Name_____

Company_____

Street_____

City/State_____ Zip_____

| | | |
|---|---|---|
| ☐ Schools/Colleges | ☐ Food Stores | ☐ Funeral Directors |
| ☐ Contractors | ☐ Churches | ☐ Motels/Hotels |
| ☐ Restaurants | ☐ Shoe Stores | ☐ Dry Cleaners & Laundries |
| ☐ Hardware Stores | ☐ Apartment Buildings | ☐ Condominiums |
| ☐ Bakeries | ☐ Retail Druggists | ☐ Convenience Stores |
| ☐ Clothing Stores | ☐ Book, Card & Stationery Stores | ☐ Printers & Publishers |
| ☐ Offices | ☐ Veterinarians | ☐ Manufacturers |
| ☐ Furniture Stores | ☐ Fast Food Restaurants | ☐ Nursing Homes |
| ☐ Financial Institutions | ☐ Jewelers | |



# EGYPT



President Mohamed Hosni Mubarak

# On the Path of Peace and Prosperity

In spite of the challenges posed by worldwide inflationary and recessionary trends, Egypt's economy entered the 1980s with an impressive 9.2 percent growth per annum. In addition, since 1976 the gross national product (GNP) continued to increase in real terms at 8 to 9 percent annually.

Notwithstanding a number of challenges, the medium-term prospects for the Egyptian economy are favorable. The country's five-year development plan (1980/81-1984/85) envisages large public sector investments of L.E. 20 billion and, through encouragement of private initiative, an additional L.E. 8 billion from the private sector investments. Both are expected to help yield an average annual GNP growth rate of about 10 percent in real terms (compared with 3 percent in 1973) and a major improvement in the living standard.

The plan assigns top priority to Food Security projects, housing construction, infrastructure and to other services that are considered basic to the needs of Egyptians.

Through mobilizing the country's national resources, and boosting foreign exchange receipts from exports of goods and invisibles, the plan foresees gradual self-reliance in mobilizing financial resources, leading to self-sustained growth.

In this milieu of economic change, the banking system in Egypt plays an important role in mobilizing domestic and foreign resources and changing them for productive investments.

## Improvement in Egypt's Economy

Economic progress in recent years is impressive when compared to the crises condition of the mid-1970s. Today, Egypt no longer is a country facing short-term economic problems. In a sense, the first challenge for Egypt's open door economic policy has been met.

For example, there is no longer a crippling shortage of foreign exchange. Central Bank and commercial bank reserves have increased. The country's debt service ratio has declined from more than 30 percent in the mid-1970s to about 20 percent at present, with national savings more than doubling as a share of total investment.

Five years ago Egypt had a current account deficit of $2.5 billion, or about 20 percent of its gross domestic product (GDP). In 1980, as a result of changes in Egypt's external trade structure, the deficit was narrowed to $500 million or 2.5 percent of GDP. But the deficit increased again, to over $1 billion in 1980-81 because of decreasing oil prices and increasing food imports, but projections imply that the current account deficit will be covered by direct investments from overseas, long-term loans and development assistance. Thus, the overall balance of payments would remain in a stage of near equilibrium.

## Sources of Foreign Currency

In 1980-81 fiscal year, the five major sources of foreign currency were:

- ☐ $2.8 billion from petroleum.
- ☐ $2.8 billion remittances from Egyptians working abroad.
- ☐ $1 billion from duties for Suez Canal passages.
- ☐ $750 million from tourism.
- ☐ $850 million from exports of agricultural and industrial products.

In Egypt, as in many other countries, imports have increased in recent years to meet the nation's development plans, to cope with a high rate of population growth (3 percent annually) and to provide for a higher level of consumption. Because of both volume and price increases, the Ministry of Supply import bill rose by 55 percent in 1980 over the previous year, to nearly $3 billion.

## The Five-Year-Development Plan

Since the completion of the 1960-65 five-year-development plan, Egypt relied upon yearly plans more than comprehensive five-year plans. In light of the country's new overall strategy, however, the country again has assigned itself a longer-range goal.

The new five-year plan's overall growth objective is to achieve a gradual acceleration of the annual rate of growth from the present 9.2 percent to a sustained 10 percent in the 1980s.

In 1985, the oil sector is expected to be contributing the most to the GDP, 17.2 percent. Agriculture's contribution is expected to decline from 20.8 percent in 1980 to about 15.6 percent. And the

***President Mohamed Hosni Mubarak***

Peace, security, stability—these are the promises of Mohamed Hosni Mubarak to his people, and to the world, as Egypt's fourth President.

Born on May 4, 1928, in the village of Kafr-El-Meselha, a Menoufiya governorate in the Nile River delta, he was schooled at the Military Academy and upon graduation in 1949 entered the Air Force Academy. He stayed on after graduation as a flying instructor from 1952 to 1959. In succeeding years he served as commander of various air force bases and in 1967 became commander of the Air Force Academy.

Two years later he was appointed chief of staff of Egypt's Air Force, a position he held until 1972 when President Sadat promoted him to Commander-in-Chief of the Air Force and Deputy Minister of War.

For his heroic role in the 1973 October war, Mubarak was promoted to the rank of major general.

Sadat, who first met Mubarak in the early 50s in Arish, Sinai, had been impressed by Mubarak's personal and political qualities and believed he represented a new generation of leadership in Egypt. So in April, 1975, President Sadat chose the rising young leader to be his vice president.

Five years later Vice President Mubarak was elected vice chairman of the National Democratic Party, Egypt's majority party, and the party's secretary general.

At Sadat's side, Mubarak participated in major decisions affecting peace and prosperity for his country. And, when elected President, Mubarak pledged to carry out "with full determination and vigor" the policies and principles of late President Sadat.

# EGYPT



share of the industrial GDP is expected to reach 13.3 percent, up by 1.3 percent from 1979.

Allocation of the public sector's L.E. 20 billion investment expenditure to various sectors of the economy over the five-year-plan period is in line with its aims, strategies and priorities. Agriculture and directly related activities claim 17.1 percent of total investments, housing and social infrastructures another 23.2 percent. Other allocations include 17.2 for transportation and communication, 20 percent for industry and 7 percent for power.

The allocation for industry amounts to L.E. 5,833 million, and is divided among industrial subsectors – L.E. 228 million for fertilizer, L.E. 856 million for agriculture processing, L.E. 568 million for building materials and L.E. 308 million for miscellaneous sectors.

## Food Security

Perhaps the most important element in Egypt's production strategy is its orientation to food security projects to fulfill the basic needs of the Egyptian people. This requires an expansion of output in agriculture, in industry, and in foreign exchange earning sectors such as tourism. The strategy calls for meeting the country's food requirements either directly by increasing the production capacity at home, or indirectly by generating the necessary foreign exchange for food imports.



## Agriculture and Food Security

In 1974, for the first time in its history, Egypt's value of food imports exceeded the value of its agricultural exports. The gap has been widening ever since. Today, the country imports half of its food needs.

Through both horizontal and vertical expansion, the government is applying maximum effort to increase its agricultural production. Methods include more intensive planting, improved irrigation and drainage, improved input availability, and expansion in research and development.

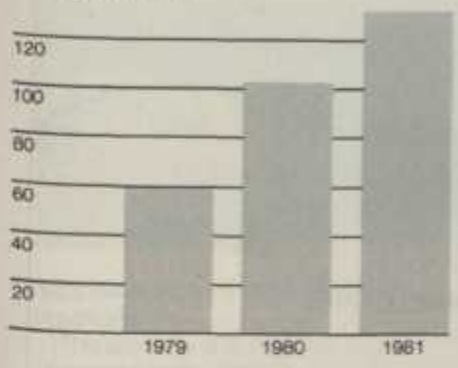
Egypt's agricultural lands already are the most productive in the world (followed by China and Bangladesh). Its current 6 million acres yield 12 million acres worth of product, or an average of two crops annually. The plan is to increase this by 2 percent – equivalent to an additional 120,000 acres.

Growth in the agricultural sector is expected to achieve 3.3 percent in 1981-82, thus rising from L.E. 4,562 million in 1980-81 to L.E. 4,711 million. But although this rise is greater than the increase in population growth, it is not enough to match the rise in consumption, estimated at about 7 percent last year, which was due to the increase of

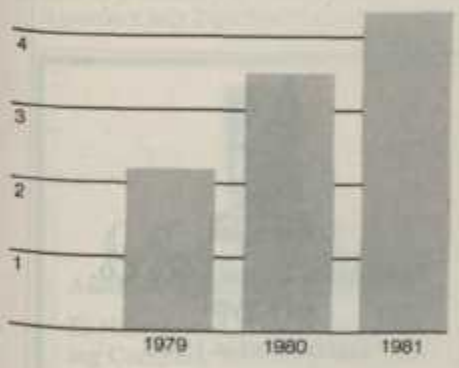
SABBOUR ASSOCIATES

# Sabbour Associates

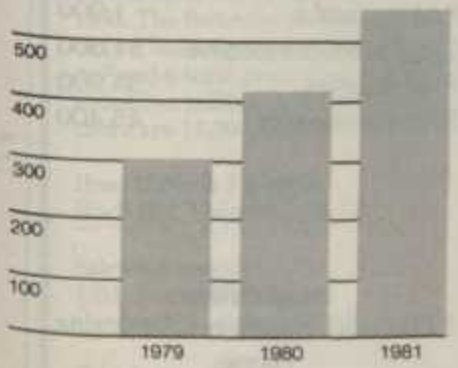
**Construction Cost**




**Annual Fees**




**No. of Employees**




**Sabbour Associates,** established in 1957, has played an expanding and principal role in providing engineering consulting services in Egypt and numerous Arab countries.

**Sabbour Associates** covers a full range of capabilities in economic planning, architectural engineering fields and construction management.

**Sabbour Associates** provides these services through its resources of more than 550 personnel in its head office in Cairo and other branches.

Selected prestigious projects:

**Planning:**
- Sadat City: A new desert city with a targeted population of 1.5 million inhabitants.
- Sixth of October City: A new desert city with a targeted population of 550,000 inhabitants.
- The Pyramids and Sphinx Plateau.

**Public Buildings:**
- Semiramis Intercontinental Hotel (Cairo) 840 rooms
- Ain-Shams Surgical Teaching Hospital—850 beds
- The Ministry of Reconstruction, the Ministry of Planning, the Ministry of Economics and the Ministry of Land Reclamation office buildings.

**Electricity:**
- Rural electrification of Egypt
- Rehabilitation and expansion of the electrical net systems for Cairo, Alexandria and eleven other major cities.

**Ports:**
- The expansion of the port of Suez.

**Industry:**
- Ductile pipe factory in Cairo.
- Rehabilitation of the rolling mills for the Iron & Steel Complex

**Infrastructure:**
- Cairo Underground Metro project.

**Food Security:**
- Several aquaculture projects in the Nile delta.

**Main Office:**
Lo Lotfi Hassouna Street
Dokki, Giza, Egypt
Telex: 94266 UN—SASCO CABLE: CONSABOUR-GIZA
Tel: 650656-818595

# EGYPT RE

## All Classes of Reinsurance

**Head Office:**
7 Dar El Shifa St., Garden City
P.O. Box 950, Cairo
Telex: 92245 EGTRE Telephone: 21603-23354 Cable: EGYPTRE
**London Contact Office:**
90 Fenchurch Street, London EC3M 4BY
Telex: 8812710 EGYTRE Telephones: 01-481 4678, 01-488 4867 Cable: EGYPTRE

### Misr Insurance Co.

Established in 1934

Some Basic Figures as of June 30, 1981

| | L.E.000's |
|---|---|
| Paid up capital | 2,000 |
| Gross premium income | 67,000 |
| Total reserves | 123,600 |
| Total investments | 154,200 |

**Head Office:**
7, Talaat Harb Street, Cairo.
Phone:
752503
Cable:
TAMIN
Telex:
92281 MSRIN UN

### Al Chark Insurance Co.

Established in 1931

Some Basic Figures as of June 30, 1981

| | L.E.000's |
|---|---|
| Paid up capital | 1,000 |
| Gross premium income | 62,100 |
| Total reserves | 71,500 |
| Total investments | 97,100 |

**Head Office:**
15, Kasr-el-nil Street, Cairo.
Phone:
75333-740330
Cable:
VICHARK CAIRO
Telex:
92276 CHARK UN

### National Insurance Co. of Egypt

Established in 1900

Some Basic Figures as of June 30, 1981

| | L.E.000's |
|---|---|
| Paid up capital | 1,000 |
| Gross premium income | 31,600 |
| Total reserves | 34,900 |
| Total investments | 45,400 |

**Head Office:**
33 El-Nabi Danial Street, Alexandria.
Phone:
23034-801014-Alex.
Cable:
Cairo Insurance
Telex:
92372 INSUR UN



disposable income in the hands of Egyptians.

The aim now is to maintain production of economically strategic crops by reducing acreage as yields increase, at the same time releasing those lands for new crops. Last year, for example, Egypt was able to produce 1.8 million tons of wheat, 3 percent less than the previous year, but on 5 percent less acreage devoted to wheat farming. The area given to cotton production was also reduced by 8 percent to 1.1 million acres this year to accompany a trend that calls for adjusting cotton production to international demands. Another strategic crop is sugar, with half of the country's consumption now imported. Sugar beet is being introduced into agriculture to relieve that import volume.

Gradual changes in crop pattern to more valuable produce is one way the country expects to improve its agricultural returns. Another is through an improved irrigation and drainage system.

At present, more than 8,000 cubic meters of water are used annually per

NASR

**Automotive Manufacturing Co.**

El Nasr Automotive Manufacturing Company (NASCO) is the sole and the pioneer manufacturer in Egypt of buses, trucks, tractors, engines, trailers and passenger cars since it was established in 1960. The factories in Wadi-Hof have a built-up area of 160,000 mt² and a total ground area of about one million mt². Presently, there are 11,000 workers.

**Head Office & Factories**
Wadi-Hof, Helwan, A.R.E.

**Sales & Exports:**
1081, Kornish El Nil,
Garden City, Cairo, A.R.E.

**Telephones:**
39514, 39318, 30993, 30996

**Telex**
92063 AUTOC UN,
92064 AUTOH UN.

ECTRA

**Egyptian Consulting & Trading Co. (ECTRA)**

Sole agent in the Arab Republic of Egypt for:

DEUTZ

**Kloekner Humboldt Deutz AG,** West Germany.
The famous manufacturer of:
—Generating sets of different powers
—Diesel engines of various outputs
—Tractors and various agricultural equipment and implements.

**Linde AG,** West Germany. One of the biggest manufacturers in Europe for electrical and diesel fork lifts trucks, and hydraulic components

ECTRA is also the mother company for the following:

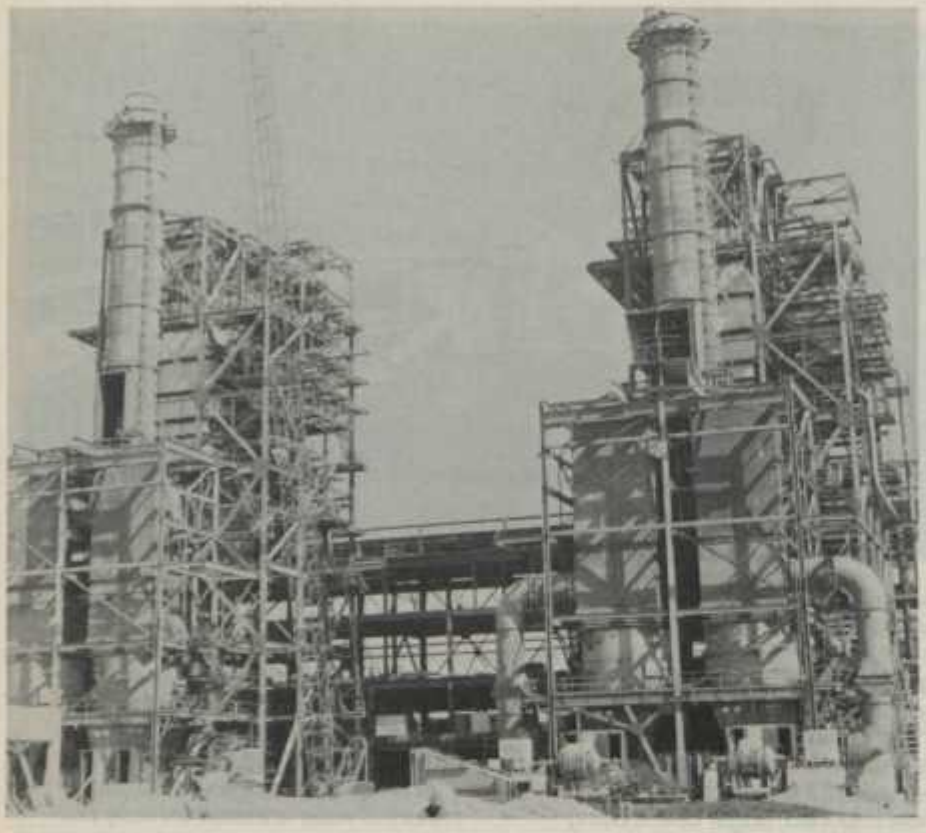
MT

**Modern Technology** Sole agent of following companies:
1—Aumund-Foerdererbau GMBH, West Germany. Belt conveyors gantry and overhead cranes
2—Remington Ltd. British tires (all sizes)
3—AGA Welding AB. Swedish electric & gas welding and cutting machines
4—Liebherr, West Germany. Earth moving equipment

C

**Modern Construction & Technical Consulting Co.**
Dealing in
1—General contracting and turnkey jobs of hospitals, apartment buildings factories, warehouses, etc . . .
2—Designing and decorations

**Modern Company for Tourist Projects**
1—Construction of hotels and other projects
2—Construction of restaurants and food chains
3—Sole agent in Egypt for West Germany's WIENERWALD's chain of 1500 restaurants and hotels all over the world



acre for irrigation. Improved irrigation methods will reduce that amount drastically, and will tremendously increase soil fertility.

A $1 billion tile drainage project sponsored by the World Bank is expected to provide as much as 15 percent more land for cultivation. It would eliminate much of the open ditch drainage now in effect. Experts foresee that better irrigation techniques and more efficient use of fertilizers and pesticides will increase productivity by more than 30 percent.

Egypt has set aside L.E. 867.1 million in fiscal year 1981/82 to pay for food production projects. Studies indicate foreign investments and joint ventures are needed in land reclamation and drainage projects to supplement local investments and successfully help the country reach its agricultural production goals.

## Industry and Food Security

The strategy for Egyptian industry in the future is directly tied to comprehensive national objectives of increased food production, housing and clothing. These three objectives portray the principal wants of the Egyptian people today.


بنك التنمية الصناعية

**Development Industrial Bank**

**The Leading Bank Supporting National Industry, and The Main Public Development Agent in the Egyptian Economy**

CAPITAL L.E. 25,000,000 FULLY PAID

**Specialization:**
Industrial credit operations to both private and public sector enterprises, cooperatives, and small scale industries.

**Objective:**
Consolidating Egyptian industries and helping to establish new industries.

**International Sources of Funds:**
- International Bank for Reconstruction and Development
- International Development Association
- U.S. Agency for International Development
- African Development Bank
- O.P.E.C. Special Fund
- Swiss Mixed Bank
- European Investment Bank

**Share Holder In:**
- Misr America International Bank
- Arab Consultancy Bureau
- Misr Co. for Clay Bricks
- Alwatany Development Bank
- National Co. for Fractose
- Misr Co. for Food Safety Investments

Address:
Head Office 110 El-Glaa Street
Cairo—Egypt
Telex: 92643 DIBAK UN

**Arab Investment Bank**

- The leading investment bank in Egypt.
- Full commercial and investment banking services in Egyptian pounds and foreign exchange.
- Within 3 years, the Arab Investment Bank has established 13 projects and financed over 30 projects.
- Experienced in joint venture projects.

**CAIRO**
**1113 Cornich El Nil**
**P.O. Box 1147**
**Telex: 93025 & 93792. U.N.**

**ALEXANDRIA**
**68 El Horria St.**
**Telex: 54791 U.N.**





Food production entails increased fertilizer input. It also requires tractors, trucks and other farm machinery be available.

A host of industrial projects are currently at different stages of implementation aimed at meeting these requirements. Foreign investments are needed, but it is important for investors to understand the needs of the country, the important priority of its food security, and the linkage between various industrial subsectors that fall in line with that objective.

For example, tractors require rubber tires, etc., which necessitate the availability of carbon black from the petroleum industry, fertilizer production requires nitré, rock phosphates, potassium, and natural gas for ammonia in nitric fertilizers, etc.

That apart, the other important area of foreign investments lies in the Food Processing Industry which is designed to ensure the availability of supply at stable prices regardless of seasonal cropping fluctuations.

## Manufacturing Capital Goods

An important policy change in the industrial sector, one that will affect Egypt's future imports bill, is directed at a shift of emphasis from capital goods imports to the manufacture of such goods under license. This applies equally to machinery as it does to spare parts.

Engineering joint ventures with leading international firms are being encouraged to the extent that projects generated thereby have qualified for World Bank financing.

The mineral wealth of Egypt also will play an expanded role in the years ahead. It will be used to develop alternative energy sources. In addition, greater mineral production will serve as a basis for developing a broader processing sector within the industrial economy.


# BANQUE MISR

## The Pioneer Bank In Egypt



**THE FIRST AND LARGEST BANK IN EGYPT—FOUNDED 1920**

**Banque Misr—Symbol of Progress**

- 300 branches throughout Egypt
- Carry out all domestic and international banking activities
- Correspondents all over the world

**46 Affiliated Companies (Bank Misr Group)**

| *Name of Sector* | *Companies* |
|---|---|
| 1. Food Sector | 18 |
| 2. Housing and Reconstruction | 6 |
| 3. Finance and Banking | 10 |
| 4. Textile Sector | 2 |
| 5. Service | 10 |

*Affiliated Banks:*
1—Bank Misr Lebanon
2—Misr International Bank
3—Misr Romanian Bank
4—Misr Exterior Bank

*Joint Affilated Banks*
5—Egyptian International Bank
6—Suez Canal Bank
7—Reconstruction & Housing Bank
8—National Bank for Development
9—Joint Arab Investment Corporation
10—Egyptian Ommal Bank

**HEAD OFFICE: 151 MOHAMED FARID STREET, CAIRO, EGYPT TELEX: 92242 UN, 92553 UN, 92325 UN**

# National Bank of Egypt

Established June 25, 1898

The N.B.E. is Egypt's oldest and largest bank and the first Egyptian bank on the list of international banks classified according to the following international criteria: Balance sheet total; volume of deposits; realized surplus; foreign trade financing.

The NBE has, during the year ending June 30, 1981 and as in previous years, achieved the following results:

- The largest balance sheet total amounting to L.E.3,377mn.
- The largest volume of deposits, amounting to L,.E.2,161mn.
- The largest volume of foreign trade financing.
- The largest operational surplus amounting to L.E.140mn.
- The largest net profit (before taxes of L.E.45.6mn.) amounting to L.E.91.3mn.
- The largest return to the government in the form of profits and taxes amounting to L.E.69mn.
- The N.B.E. has participations in 46 banks and companies covering all fields of economic activity. The total capital of such institutions amounts to L.E.767 million, the NBE's participation amounts to L.E.90 million.

**Head Office Address:** 24 Sherif St., Cairo
Telex: 92238 NBE UN 327 NBECRO UN

Coal deposits in Mahgara (Sinai) and Fayoum, for example, are not of the required quality for coking coal, but could be used to expand the supply of fuel for electrical generators. This would save the country more than $200 million annually.

Plans call for the processing industry to become heavily oriented toward phosphates and petrochemicals, new horizons in Egyptian industrial development. Emphasis in this area will increase the value of exports; it also will provide the agricultural sector with its requirements for drainage and irrigation.

Egypt is in a position to produce petrochemicals, ranging from ethylene to polyethylene to PVC. Indeed, these prospects can be implemented with assistance from U.S. corporations and other foreign firms in the form of joint ventures, with the private sector and the government of Egypt.

Natural gas and rock phosphate are found in close proximity in Egypt. Egyptians hope the rich Abu Tartour phosphate deposits, exploited with World Bank assistance, can be transported by railway from Qena to the Red Sea port of Safaga, where natural gas has been recently discovered. The raw material then can be


AIB

المصرف العربي الدولي

# Arab International Bank

**Capital Paid Up: US$100,000,000.00 • Reserves: US$95,000,000.00**

Five Years Figures (In millions of US dollars)

| Year Ended | 6/30/77 | 6/30/78 | 6/30/79 | 6/30/80 | 6/30/81 |
|---|---|---|---|---|---|
| Deposits | 693.1 | 851.1 | 912.1 | 1,085.3 | 1,276.9 |
| Loans, advances and bonds | 337.5 | 269.5 | 397.8 | 346.8 | 485.2 |
| Reserves | 61.0 | 70.0 | 78.0 | 87.0 | 95.0 |
| Total balance sheet | 907.1 | 1,064.6 | 1,159.3 | 1,352.9 | 1,559.2 |
| Documentary credits, guarantees . . . etc. | 263.2 | 299.4 | 265.0 | 222.0 | 240.0 |

**Chairman Dr. Mostafa Khalil**

*Auditors*
Mostafa Shawki
F.E.S.A.A., Cairo
Hassan El Nasharty
Chartered Accountant, Cairo
Arthur Young & Company
Regional Office, Athens

*Head Office:*
35 Abdel Khalek Sarwat Street,
Cairo, Arab Republic of Egypt
*Alexandria Branch:*
2 Al Horreya Avenue
*Port Said Branch:*
6 El Maamoun Street

*Cables:*
Arabinbank, Cairo
*Telex:*
316—317 AIBEX UN
*Telephone:*
918794—916120

processed to yield ammonia, phosphoric acid, mono-ammonium phosphate and dio-ammonium phosphate.

With the adoption of the open door policy, Egypt has moved from a system of centralized economic management to a more decentralized one so that the private sector, along with market mechanisms, can both take on more important economic functions. Presently, the private sector, the new joint venture sector, and the public sector coexist and operate under quite different rules, incentives and regulations, with all three now contributing strongly to industrial output. The private sector alone accounts for more than 30 percent of the nation's industrial output.

Annual growth of this industrial output, excluding petrol, is expected to increase 9.9 percent in 1981-82, rising from L.E. 6,987 million to L.E. 7,680 million.

## Tourism

Egypt is an "Open Museum," where masterpieces of ancient history are on constant display in their natural environment.

As a result, the country looks toward tourism as one of its most important




## The Arab Contractors/Osman Ahmed Osman & Company



—Pioneers in construction, building and development in Egypt and the Arab countries for over 40 years.

—A major contributor in the execution of most of the contemporary construction projects in Egypt such as bridges, cement factories, electric power generating complexes, as well as airports and port facilities.

—Embarked on the road to achieve Egypt's aspirations in desert reclamation projects for food security purposes in accordance with the government's development plan, and in support of its efforts in that direction.

—Have succeeded in a period of only seven months to add 56,500 acres to Egypt's agricultural land, and develop on this acreage the first agricultural, industrial and housing complexes in the country.

—Uses the most advanced and modern international technology in its operations to reclaim and cultivate the desert of Egypt.

OSMAN AHMED
OSMAN & CO.
34 Adly St., Cairo
Cable: OSMASON
Tel: 755011

activities. This industry's role as a major currency earner is becoming increasingly important to Egypt's development plan and national strategic objectives. In fact, while neighboring countries suffered a decline in tourist visits, Egypt in 1980 was host to about 1.3 million visitors.

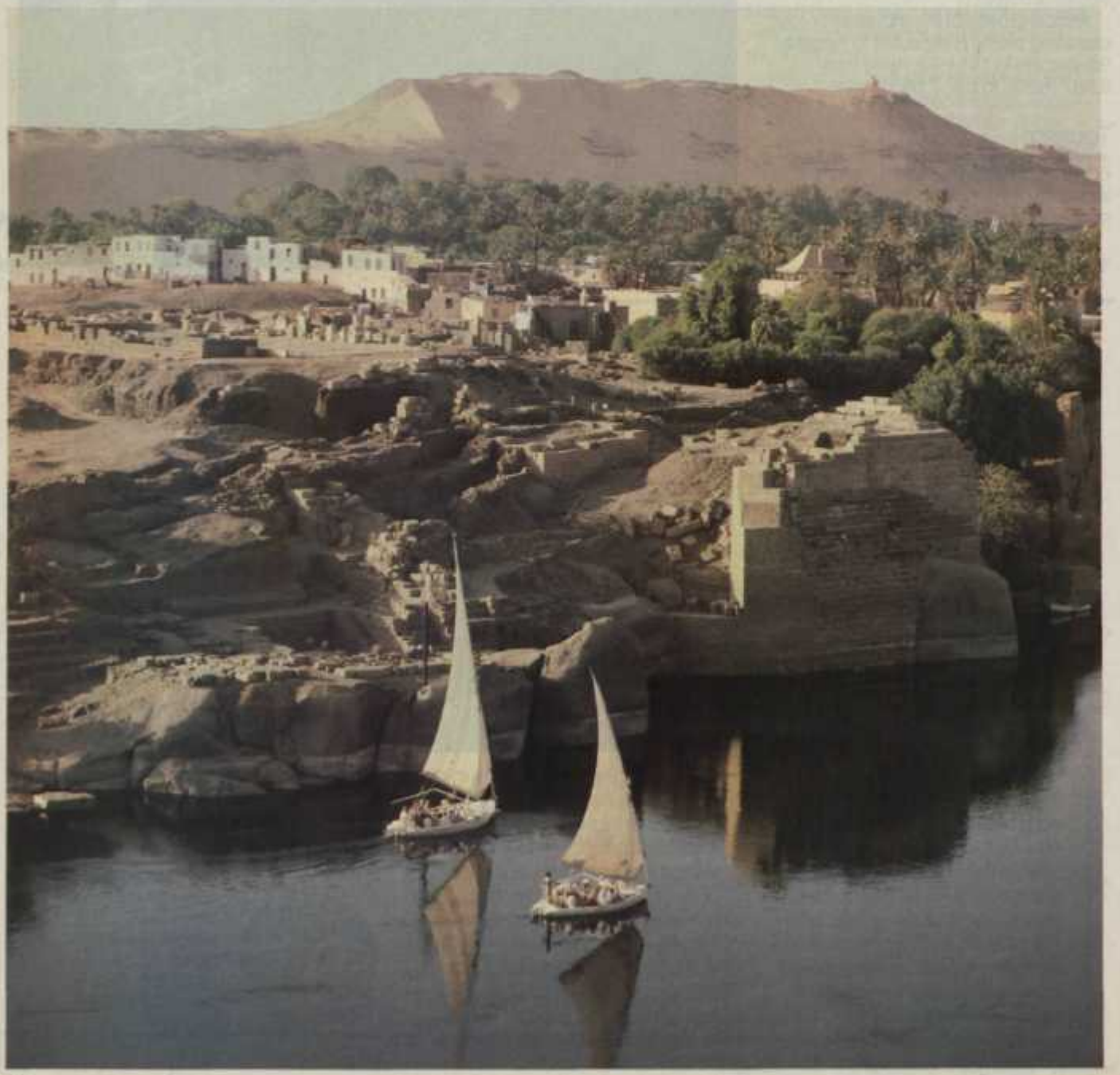
Income from tourism brought to the Egyptian economy $680 million in foreign exchange in 1980. The target for Egypt is five million tourists by 1985, whose spending would earn the country $2.5 billion.

To achieve this target, Egypt expects to diversify its programs for tourism activities. Visits to areas of traditional Pharaonic and historical interest must be complemented with the development of coastal leisure tourism, Sahara tourism, automobile tourism, health tourism and business tourism. In this context, Egypt is looking toward areas such as the Red Sea, Minya and Sinai.

In the Red Sea area, for example, Egypt has a unique holiday site within easy reach of Europe, Saudi Arabia and all the Arabian Gulf nations. The Red Sea area offers year-round bathing along 600 miles of beautiful sandy beaches set against impressive mountain ranges and a wide variety of water sports. However, its main asset is under water, where there is the beauty of coral and fish life for the skindiving enthusiast. At present, the area's resort is at Hurghada, with its Sheraton Hotel. The Misr Hotels bungalow tourist village is also located at nearby Migawish.

The Ministry of Tourism is taking a more disciplined approach in developing the sea coast. Over 80 prospective tourist sites have been selected. Investors are urged to select a site they wish to develop, but detailed proposals must be submitted within six months of the selection. A number of sites have already been reserved by British, French, Swiss, Canadian and Egyptian companies.

In Southern Egypt, still another tourist development area exists in Minya, where foreign investments can be directed. Minya is an area on the west bank of the Nile some 200 miles south of Cairo and ranks second only to the Luxor region in





terms of archeological and historical wealth. In fact, had Minya's antiquities alone been the sum total of Egypt's archeological patrimony, they would have been sufficient to guarantee Egypt a unique position among the world's cultural and tourist centers.

It is important to note that in the Minya area, the city of Tell-El-Amarna, 40 miles south of Minya City, was originally built by history's first monotheist, Amenophis IV (1370-1352 B.C.). He assumed the name Aknenaton, and spent the rest of his days in prayer and praise with his wife, Nefertiti, and a court of converts.

The foundations of Tell-El-Amarna remain intact, providing evidence of the scale and grandeur of urban planning in Pharaonic times.

The Minya area contains a wide variety of both Pharaonic antiquities and Christian and Greco-Roman period structures. Only a very limited number of hotels currently provide accommodations in the area, and Misr Hotel Company is planning a modern hotel in nearby Malawi.

The Sinai area is also one of Egypt's best tourist sites. It is a peninsula almost surrounded by water. The Mediterranean Sea lies on the north with a coastline of 150 miles, the Suez Canal and the Gulf of

7UP

CANADA DRY

شركة القاهرة للمرطبات والصناعة

**CAIRO BEVERAGES & INDUSTRIAL CO.**

- The biggest integrated bottling operation outside the United States.
- The first bottler to introduce a fine-quality international beverage product in Egypt.
- Started its operation in 1978 as a joint venture following the institution of Egypt's open door policy.
- Produces over 2.4 million bottles every day.
- Employs over 2,000 persons in the 1.2 million square foot complex located in the reclaimed desert suburb of Nasr City near Cairo.
- Began its expansion programs in 1979 with Alexandria Bottling Complex as a first step in achieving nationwide coverage of the availability of its products.

**Nasr City – 6th District Industrial Zone – P.O.B. 1656, Cairo Telex 92811 CAIBEV UN**

# EGYPT

## As Ageless as the Nile As Unaging as its Waters

The Egyptian General Authority for the Promotion of Tourism
Misr Travel Tower – Adly Street, Cairo

## Egyptian Hotels Company



Enjoy the gracious hospitality of our 17 hotels in Cairo – Luxor – Aswan – Alexandria

Central Reservation Office
26, Sherif Street, Cairo
Telex: 92726 EGYPTL UN

## MISR HOTELS COMPANY

Established 1955

1. First Egyptian Company to introduce Hilton International as hotel managing company in the Middle East.
2. Owns:
   A. Nile Hilton and its newly inaugurated business center overlooking Tahrir Square in Cairo, a few steps from the Egyptian Museum. It includes business suites and space for office renting, shopping arcades and other facilities for business and leisure travelers.
   B. Magawish Touristic Village on the Red Sea shores.
   C. Akhnaton Touristic complex in Malawi is the first in a chain of touristic villages under construction in Upper Egypt.
   D. Luxor Five Star Hotel with 400 air conditioned rooms, restaurants, tennis, golf, and other facilities.

2, 26 July Street – Cairo Telex: 94074 MISTL UN


# EGYPT

Suez border it with a 250-mile coast in the west and southwest. On the east and southeast the peninsula stretches along the Gulf of Aqaba for another 100 miles. All these coasts can be developed for year-round tourist resorts.

Sinai is also regarded as an international center in that it comprises various kinds of tourist attractions, both historical and religious. One finds Islamic relics in the Sinai's Mt. Taurus. Christian antiquities include St. Catherine Monastery, and regions where Jesus and Moses trod. The monastery, named after St. Catherine, was built in 52 A.D.

One of the world's outstanding churches – the Great Church – is the most ancient Christian antiquity in the Sinai. It dates back to Emperor Justinian in the 6th century A.D. Tiled with marble, its walls are covered with icons, the most valuable of which is that of the Virgin Mary. It also contains the icon of Moses receiving the Ten Commandments atop the mountain.

Another most holy place is Mt. Tor Senin, mentioned in the Koran.

Historic roads, dating back thousands of years, crisscross the Sinai, traces of which can still be found. Visible, too, is the Great War Road, used by the ancient





Egyptians and by Joseph and Mary when they fled to Egypt with baby Jesus to escape from King Herod.

Although the Ministry of Tourism is exerting maximum effort to develop tourism in Egypt, much needs to be done if the Red Sea, Minya area, and Sinai are to become major world tourist destinations.

A five-point plan has been drafted and, with the assistance of foreign investment, should be implemented in the immediate future. The plan includes: conducting the necessary studies for anticipated expansion of the areas; renovating, building and paving roads and constructing ways to improve access to the areas; providing drinking water, sewerage, electric power and telecommunications; developing conservation programs for the monuments and antiquities, renovating the existing museums; and modernizing the airports to accommodate the expected growth in tourism.

Current investment in hotels and tourism projects in Egypt amounts to $1.5 million, of which 80 percent is provided by private enterprise.

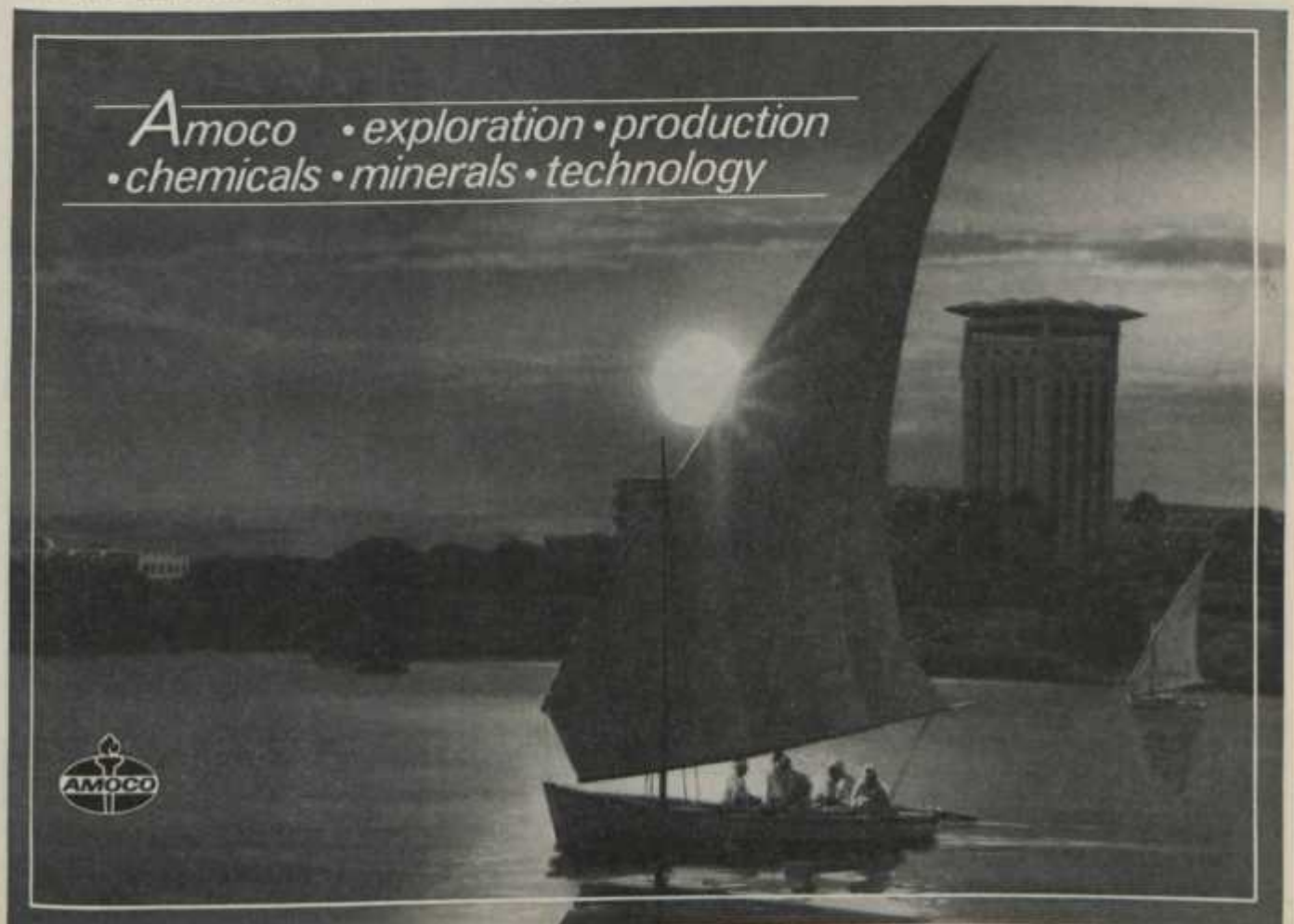
## The Egyptian Banking System

Egypt's banking system in the last decade has been freed from the disadvantages and restrictions that hampered the normal flow of its operations. After the 1960-61 nationalization measures, all banks (about 28) became part of the public sector through liquidation or merging procedures. Consequently, Egypt had only eight banks. Four were commercial – The National Bank of Egypt, Bank Misr, Bank du Caire, and Bank of Alexandria; and four were specialized – The Egyptian Mortgage Bank, Arab Mortgage Bank that specialized in financing housing and real estate development, Agriculture Credit Bank that served financing production of agricultural commodities, and the Development Industrial Bank.

In 1974, when the open door policy was adopted, law No. 43/1974 conserving the investment of Arab and foreign capital and free zones was passed. Immediately, several international banks applied for joint ventures, branches and free zone status in Egypt, among them Chase Manhattan Bank, City Bank of New York and Manufacturers Hanover Trust Bank.

The next year law No. 120 abolished the ceiling on interest rates, with the result that interest on foreign exchange deposits now are fixed according to international money markets, while the interest on Egyptian pounds' deposits are determined by the Central Bank of Egypt. Regarding the latter, interest at present is 13 percent minimum and 15 percent maximum.

A 1976 law, No. 97, freed foreign currency dealings from most constraints. All citizens gained the right to keep any foreign currency that they gain or receive without having to declare the source of such currency.



For Your Banking Business in Egypt

**Bank of Alexandria**
The Bank of Industry

- All commercial banking services.
- All foreign exchange activities.
- Various savings schemes.
- Project financing.

**Participates in 27 projects as follows:—**

**American joint ventures**
Egyptian American Bank (51% with American Express ® International Banking Corp.)
Suez Cement Co.
Plain Glass
Delta Sugar Co.
Misr Aswan for Fisheries and Fish Processing Co.
Egyptian American Hospital

**Other Projects**
Misr Iran Development Bank
Alexandria Kuwait International Bank
Delta International Bank
Suez Canal Bank
National Bank for Development
Egyptian International Bank
Alexandria Commercial and Marine Bank
Construction and Housing Bank
Joint Arab Investment Corporation
El Mohandes National Food Products Co.
National Company for Corn Sweeteners
Abu-Qir Fertilizers & Chemical Industries.
National Company for Extracting Vegetable Oils.
Misr Development Company
10th Ramadan Company for Building Materials.
National Company for Housing for Professional Syndicates
Ismailia National Company for Ready-Made Clothes
Ismailia Travel Company
El Montazah for Tourism and Investment Co.
May National Publishing House
Project for extracting salt from Karoun Lake.

**Cairo**
49, Kasr El-Nil Street.
Telex: BNALX 92069 & 9273-UN
Cable: BANALEX.

**Alexandria**
6, Salah Salem Street.
BKALX 54107 UN
HEADALEX.

# EGYPT

As expected, the banking system developed under the open door policy So did banks' profits. In short order, the total number of commercial and investment banks increased from 8 to more than 60

Competition also raised the standard of services, and today all banks may operate successfully in all sectors of the economy contrary to the occupational specialization of the past.

The overall budget of commercial banks rose from L.E. 548.1 million at the end of 1961, to L.E. 10,116.7 million at the end of June, 1980

During the same period, the overall budget of specialized banks rose from L.E. 116.6 million to L.E. 763.8 million

Meanwhile, the overall budget of the investment and business banks soared from L.E. 43.9 million at the end of 1973 to L.E. 1,311.3 million at the end of June, 1980

The Central Bank of Egypt and its registered banks also recorded spectacular growth in their overall budgets. That rose from L.E. 1,104 million at the end of 1961 to L.E. 20,227.3 million by June 1980, a growth percentage of 1,731.4

Investment banks are relatively new in Egypt. Most of them are joint ventures. Among the most important are Misr Iran

**JOINT ARAB INVESTMENT CORPORATION S.A.E. (JAICORP)**

**CAPITAL**

50 million U.S. dollars divided into 50,000 shares were subscribed by

| | SHARES |
|---|---|
| • Abu Dhabi Investment Authority | $25,000,000 |
| • Prime Egyptian Banks, Insurance and Reinsurance Companies | $25,000,000 |

**OBJECTIVES**

- Financial stucturing and promoting of projects.
- Syndication of loans.
- Money market operations.
- Trading and securities.
- Debt and equity portfolio management.
- Financial advisory services.
- JAICORP participates in both equity and debt financing.

EMIRATES EGYPT

**P.O. Box 121 Orman Giza Telex 92840 JAICO UN**
**Cable JAICORP Tel 650777-650465**





Development Bank and the Arab Investment Bank. Their contribution to the Egyptian economy is enormous.

As an example, the Arab Investment Bank was able in less than three years to establish 10 successful projects in which it has an equity capital. The bank also financed more than 35 other development projects. Its total balance sheet increased from $13 million to more than $100 million in two and a half years.

## Insurance Industry in Egypt

Another great growth record has been achieved by the insurance industry in Egypt during the past decade. In 1961, the industry was nationalized, and Egypt had only four insurance and re-insurance companies totally owned by the government. They were the Misr Insurance Company, the Al Shark Insurance Company, the National Insurance Company, and Egypt RE.

Following the liberalization of the Egyptian economy, three private insurance companies were established – Al-Delta, Suez Canal, and Almohandis Insurance companies. In addition, two companies sprung up in the free zones – Egyptian



American, and Arab International Insurance Company.

In 1981, Law No. 10 was issued to regulate the insurance industry in Egypt. The supervisory authority was created and granted needed powers. Today all insurance companies can accept all classes of business – life or non-life insurance.

The free zones companies that enjoy the privileges and exemptions of the free zones are authorized to accept business from free zone clients and from overseas. They are exempt from the provisions of the 1981 law, except in certain areas mainly dealing with allocating of reserves and investing of certain funds in the free zones.

Because of Egypt's open door policy and the new investment law, the total volume of insurance portfolios in Egypt increased from L.E. 22 million in 1973 to more than L.E. 144 million in 1981, a 555 percent increase. The premium income and, consequently, the investment of these companies, increased also from L.E. 108 million to L.E. 344 million during the same period, an increase of 219 percent.

All inquiries regarding insurance in Egypt or the free zones can be answered by contacting the Egyptian Supervisory Insurance Authority.

## Housing Projects in Egypt

Housing is part of the national development strategy.






بنك قناة السويس
SUEZ CANAL BANK

Groups major Egyptian commercial banks, Suez Canal Authority, Arab Contractors Co. and Misr Insurance Co. as main shareholders.

**The Bank Provides:**
- All commercial banking services in local and foreign currencies.
- Worldwide money transfer services.
- All foreign exchange activities.
- Traveler's cheques services.
- Financing, corporating and participation in development projects whether domestic, foreign or joint ventures.

**Suez Canal Bank,** considered an essential contributor to economic development, has participated in 25 projects embracing the following fields:
- Industry and Food Security
- Housing and Building Materials
- Tourism and Services
- Financial Institutions

**Services Rendered Through:**
**Head Office**
11 Mohamed Sabry Abou Allam Street
Cable Address: BANCANAL CAIRO
Telex: 391,93832 SCB UN
Telephone: 751033-751066

**Branches**
Cairo
Alexandria
Port Said
Suez
Ismailia
Tanta
with more branches to come.



# Misr Spinning & Weaving Company

## Mehalla El Kubra

Established: 1927

Largest textile mill in Egypt
Largest integrated textile mill in one location throughout the world.

| | |
|---|---|
| **115 MILLION LBS.:** | COTTON & POLYESTER/ COTTON YARNS: Complete range of counts—Single & Piled—Knitting & Weaving Twist—Grey—Gassed—Mercerized—Ring and Router Spun. |
| **200 MILLION YARDS:** | COTTON & POLYESTER/ COTTON WOVEN FABRICS: Plain, Dobby, Drill, Twill, Duck—Grey & Finished—With or Without Mercerizing and Sanfor Treatments. |
| **7 MILLION PIECES:** | READY MADE GARMENTS: Shirts, Blouses, Pajamas, Night Gowns, Dresses, Leisure Suits, Men's Suits. |
| **6 MILLION LBS.:** | WOOLEN YARNS: Including 100% Wool, Wool/Synthetics & 100% Synthetics. |
| **5 MILLION YARDS:** | WOOLEN FABRICS: Including 100% Wool, Wool Blended With Synthetics, 100% Synthetics and Linen Fabrics. |
| **350 THOUSAND PIECES:** | Blankets. |
| **5 MILLION LBS.:** | 100% COTTON WOOL BLEACHED: In rolls or Polyethylene Bags. |
| **13 MILLION PIECES:** | GAUZE BANDAGES: Different Sizes. |
| **200 THOUSAND LBS.:** | COTTON LINT: Bleached in Rolls. |
| **1.5 MILLION LBS.:** | TERRY FABRICS: Mainly Terry Towels—Plain, Dobby or Jaquard Weaving—Several Sizes and Designs. |
| **1.3 MILLION PIECES:** | Bed Sheets and Pillow Cases Several Sizes and Colors. |

| **Annual Sales:** | **Million Egyptian Pounds** | = | **Mill. USD.** | |
|---|---|---|---|---|
| | **85.0** | | **102** | **Local sales** |
| | **45.3** | | **55** | **Exports** |
| | **130.3** | | **157** | **Total sales** |

**Exports to: United States, Canada, Western Europe, Eastern Block Countries, Arab Countries, Africa, Australia and to Some Far Eastern Countries Including The People's Republic of China.**

**Telex: 3000 Cable: Ghazl Telexes: 92040 & 54009 Ghazl Un**

# EGYPT



The issues behind the strategy are clear and compelling: The nation's limited agricultural land and its dramatic increase in population.

Egypt has recorded some 8 million new residents over the past decade, bringing the country's estimated population to 42 million.

In 1907, 81 percent of the people lived in rural areas. This dropped to 59 percent in 1966. By the year 2000, the percentage is expected to decrease to 36 percent.

As a result, cities, especially Cairo and Alexandria, have experienced explosive growth. Greater Cairo alone, for example, has grown from a population of 3.7 million in 1960 to an estimated 10 million in 1981. This is almost a quarter of the nation's population, and nearly half the urban population.

With most cities situated in agricultural areas, the nation's limited productive land area is being consumed by urban growth. This has been offset, in part, by reclamation of 900,000 acres since 1952, but reclamation is slow and expensive. And soils in reclaimed lands are inherently inferior to historically productive lands.

Some analysts suggest that urban growth has consumed as much agricultural land as has been reclaimed. Worse, the trend of losing productive land to non-agricultural purposes is likely to accelerate as population increases and cities grow.



Therefore, the national strategy calls for construction of new cities in desert areas. Three already are being built—Tenth of Ramadan, Sadat City, and Sixth of October. Two more are in the planning phase—El Amal and El Obour.

Tenth of Ramadan is situated on the Cairo-Ismailia desert road some 40 miles from Cairo. It is planned to accommodate 500,000 inhabitants by the year 2000. The main economic base for Tenth of Ramadan will be medium and light industry. Most of the infrastructure for the industrial areas is in place, and two areas already are occupied.

Sadat City is planned as an industrial city midway between Cairo and Alexandria on the desert road 60 miles from Cairo. It also is planned for a 500,000 population by century's end, but is being designed to accommodate as many as 1.5 million inhabitants by the year 2025. Under construction are 10,000 housing units, office buildings, public and community facility buildings and residential areas. Heavy, medium and light industry are planned for Sadat City.

Only 10 miles from the Pyramids and situated on the Cairo-Fayoum desert road is the Sixth of October City. Its ultimate size is 500,000 with an economic base of tourism and medium to light industry. Water and electric power already are in place and the infrastructure for three residential areas is under construction.

In areas throughout the country, hundreds of thousands of housing units are being built by both the public and private sector. The industry is booming, primarily because the government is determined to face its responsibilities in that direction.

## Cairo-U.S. Telemission

In order to accomplish the objective of informing U.S. investors about real investment opportunities in Egypt, the Government of Egypt, The Overseas Private Investment Corporation (OPIC), and the United Nations Industrial Development Organization (UNIDO), will sponsor the world's first telemission on March 16, 1982, utilizing the satellite communications technology.

This two-hour video conference will bring together potential U.S. investors with top Egyptian officials and private businessmen in Cairo for a discussion of the investment opportunities in Egypt. Discussion will focus on four target industries: food processing, food production, health and medical products, and construction equipment.

Egyptian President Mubarak, the newly appointed cabinet ministers, and a top U.S. administration official will make appearances during the telemission broadcast.

The telemission will enable small groups of potential investors situated in six major U.S. cities to gain first-hand information from their Egyptian counterparts. The telemission cities are: New York, Boston, Chicago, Minneapolis, Los Angeles and San Francisco.

U.S. participants interested in the specific project opportunities presented in the broadcast will be invited to join an actual OPIC mission to Egypt that will take place some time in the spring.





ACKNOWLEDGEMENTS

Nation's Business expresses its thanks and appreciation to the Embassy of the Arab Republic of Egypt, H. E. Ashraf Ghorbal, Ambassador to the United States; Minister Nabil Sadek, head of the Economic Offices in the United States; Commercial Counsellors Roushdi Barakat, and Amr El-Menshawi as well as H. E. Mohammad Hakki, head of the State Information Service in Cairo. Their cooperation and assistance made this section a reality.

PHOTO CREDITS:

– Mr. Towhead Ramy, Audio-Visual Company, Cairo.
– State Information Service, Ministry of Information.
– The Egyptian General Authority for the Promotion of Tourism, Ministry of Tourism.


# EGOTH

***The Egyptian General Company for Tourism &Hotels***

The Egyptian General Company for Tourism and Hotels (E.G.O.T.H.), formed in 1961, aims at improving tourism in Egypt by establishing hotels, hotel schools, tourist villages, cruise ships and accommodations to attract more tourists. Some are totally owned by E.G.O.T.H. and managed by international companies such as Cairo Marriott Hotel, El Arish Marriott Motel, Floating Hotels, and Aswan Oberoi Hotel.

**1 – Cairo Marriott Hotel**
Managed by Marriott Company, the first 750 rooms of this 1255 room hotel will be finished by the first half of 1982.

**2 – El Arish Marriott Motel**
This 150 room motel, located on a palm beach, will be managed by Margo Company.

**3 – Aswan Oberoi Hotel**
Managed by Indian Oberoi Company, this hotel has 150 rooms.

**4 – Floating Hotels**
Egoth owns a fleet of 4 deluxe floating hotels (Tout, Aton, Anni and Hoteb) managed by Sheraton Company.

**4 Latin America Street**
**Garden City – Cairo**
**Chairman Office**
**Tel. 28296**
**Telex 2363 EGOTH UN**

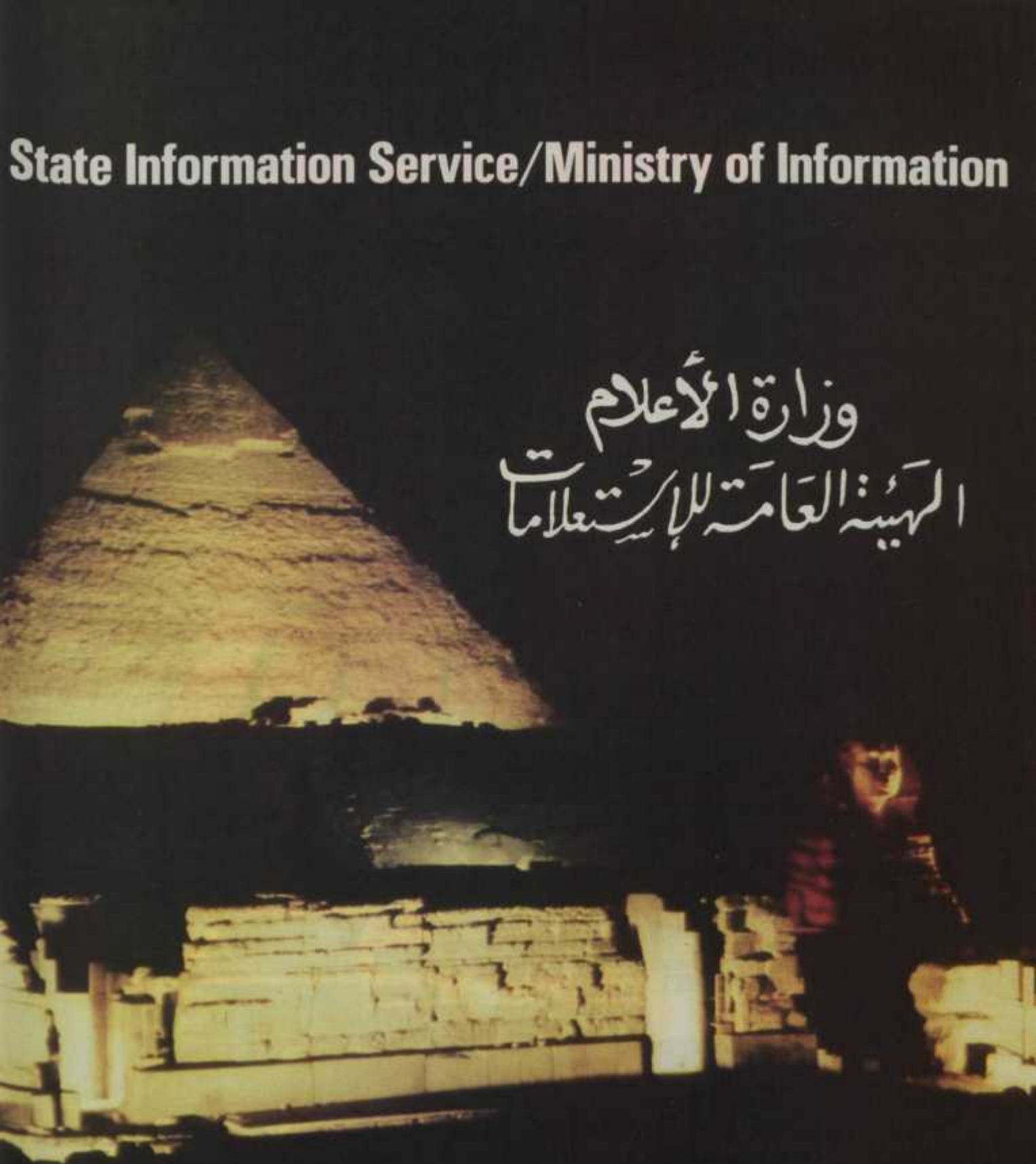








# State Information Service/Ministry of Information




Egypt, its government and people, is continuing along the road to a lasting and comprehensive peace by respecting international commitments and treaties now and in the future. It is right that the law of the contracting parties shall be followed. Egypt shall proceed on its great road not by stopping or hesitating, but by building not destroying, protecting not threatening, and providing not wasting.

# More than Xerox.
# More than Savin.
# More than IBM.

**MITA.** A complete line of full-service advanced technology copiers. With spectacular copy quality and reliable, trouble-free operation. And a powerful service network of over 500 dealers nationwide. For faster, more efficient service. For more personal attention to your copier needs. Whether you need just one small office copier or a large satellite system of copiers. Because Mita has more dealers than other copier companies. More than Xerox. More than Savin. More than IBM. Welcome to the age of the Full Service Copier.




mita

## Full Service Copiers

Mita Copystar America, Inc.:
P.O. Box 5042 Clifton, N.J. 07015
Call toll free: (800) 526-7843 ext. 885 In New Jersey call: (800) 522-4503 ext. 885

# Reaping the IRA Harvest

## Millions of Americans will put billions into tax-free retirement accounts. But how many millions? How many billions? What kind of accounts?

By Michael Thoryn

ON THE LOW SIDE it's $10 billion annually; on the high side, $50 billion. Either way it's a lot of investment capital to rebuild America's industrial machine.

The source is Individual Retirement Accounts, which just may become the hottest financial item of the decade.

Certainly there has been a good play at, for example, credit unions. During January the Credit Union National Association, headquartered in Madison, Wis., processed 65,000 new IRA accounts from 3,600 affiliated credit unions. Average deposit: $1,500.

CUNA's experience in the first month in which any employe could open a tax-deductible retirement savings plan is a harbinger of huge growth in funds for banks, savings and loan associations, mutual funds, securities firms, and insurance companies as well as credit unions.

As the money is reinvested by financial institutions, "it will be a great boon for capital formation," says Richard W. Rahn, chief economist at the Chamber of Commerce of the U.S.

Creating incentives to save is a basic thrust of the Reagan administration's Economic Recovery Tax Act, passed last summer. A steady growth in IRA deposits would supply strong support to the supply-side economics premise that taxpayers respond with savings to the offer of tax savings and that the accumulating funds contribute to plant modernization and job creation.

Millions of Americans whose employers do not have pension systems have been eligible to establish IRA's since 1975. It is estimated that those workers total well over 40 million. Some 3 million have set up IRA's and have been putting more than $3 billion a year into them.

The 1981 law extends the IRA option to employes already covered by employer pensions, including government workers, and even to the self-employed, so that more than 100 million Americans can reap this retirement fund harvest. The amount an individual can deposit has grown, too. Anyone with earned income can now invest up to $2,000 yearly in an IRA, $2,250 with a nonworking spouse. Working couples can invest up to $4,000 a year. The maximum deposits until passage of the new tax law were $1,500, $1,750 and $3,000.




The total contribution is tax deductible—simply subtracted from income when taxes for the year are computed. In addition, all income earned is tax free until withdrawn from the IRA.

Theoretically—thanks to the magic of compounding interest, dividends or other IRA earnings—the American dream of becoming a millionaire can now become reality for millions of long-term savers.

Bear in mind that, as Chase Manhattan Bank puts it, "We can't predict what a million dollars will be worth when you retire." But also bear in mind that the bank adds, "We can predict this: You're better off with it than without it."

It is further worth noting that income tax—at regular rather than capital gains rates—must be paid on what has been earned as it is withdrawn in later years. There is a 10 percent tax penalty for withdrawing funds before age 59½.

Since more than 100 million workers are now eligible to take part in the IRA program, in theory more than $200 billion could go into the accounts each year. But no one is that optimistic.

A. George Gols, chief economist at the Arthur D. Little management consulting firm, hopes enough money will move to IRA accounts to substantially boost the nation's savings rate, which in 1980 was 5.6 percent of after-tax income compared with 14.5 percent in West Germany and 20 percent in Japan. If $10 billion went into new IRA accounts this year—say 10 million accounts at an average of $1,000 each—the sav-

ings rate would rise to about 6 percent, close to the norm for the past decade, Gols calculates.

He thinks that the amount going into new IRA's is most likely to be about $10 billion but that $20 billion is possible. The larger amount, Gols says, would amount to "a mighty relief for the capital markets."

An American Bankers Association spokesman says he thinks the figure will be $50 billion. If that prediction comes true, the savings rate would climb above 7.5 percent.

A SUBSTANTIAL AMOUNT of funds going into IRA's as the program gets under way obviously represents a transfer from other savings accounts, such as regular credit union accounts, that are not tax exempt. But with each passing month, more and more funds that wouldn't have otherwise been saved are expected to find their way into IRA's.

Though experts contacted by NATION'S BUSINESS agree that a long-run effect of steadily growing IRA accounts would be to spur America's economic renewal, they caution that potential IRA owners are still uncertain about what to do and how to do it.

"There are many options in the financial supermarket," says Douglas L. Bendt, a Chase Manhattan Bank economist. Says a Federal Home Loan Bank Board economist, "IRA's are an unknown quantity." Says a private sector economist, "They're still an unfamiliar idea to most Americans." Notes the Chamber's Rahn, "Consumers are on a learning curve." As time goes on, "more and more people will choose to save on their income taxes by investing money for their retirement," he adds.

In any event, the IRA's are likely to be the year's No. 1 story in the financial markets.

Reginald F.D. Green, a vice president at the Investment Company Institute, an association of mutual funds, puts it succinctly: "IRA's are such a good deal—a bargain, like January sales."

The reluctance of many individuals to get started is understandable. They have until April, 1983, to set up an IRA that will give them a tax break on 1982 income. The American Bankers Association spokesman says, "This is a lifetime decision."

IRA investment action, already brisk at some institutions, will pick up as people sort out the variety of interest rates and minimum investments allowable, experts say.

Companies, too, are sorting their options. Not many so far have made payroll deductions available for IRA's, even though a Labor Department ruling allows them to do so without coming under the burdensome Employee Retirement Income Security Act rules.

Fred Ringenburg, an expert on IRA's who is affiliated with CUNA, thinks off-the-top deductions will be very important to IRA growth. He points out that 85 percent of credit union members already have some kind of payroll deduction sent to their credit unions.

Says Deborah Foord, a vice president at Scudder, Stevens & Clark, investment counselors, "People get used to not having the money when it is transferred automatically."

For the moment, "company benefit managers are as confused as consumers about what is being offered," says Jonathan Miller, a spokesman for the Equitable Life Assurance Company. Besides serving as a conduit for employe IRA contributions, a firm could start an employer-sponsored IRA program. In that case, an employer contribution that does not reach the $2,000 or $2,250 limits can be supplemented by the employe.

Charles E. Ginsberg, a vice president at Alexander & Alexander, nationwide insurance brokers, thinks most companies will eventually come around to payroll deductions. In a survey the firm did last December, when confusion about IRA's was rampant, 38 percent of chief financial officers at large companies said their firms planned to offer payroll-deduction IRA's.

One large company, NCR, with 30,000 employes nationwide, didn't wait. The computer firm's IRA program started with the first paycheck of 1982. By the end of January, 1,500 workers had signed up.

Under the Labor Department ruling, companies offering payroll-deduction IRA's must make it clear that participation is voluntary and that an employe can get the same benefit by investing on his own. As NCR has worked it out, employes can choose one of three routes: a T. Rowe Price mutual fund, Connecticut General Life Insurance Company or the NCR credit union.

BRIAN WRUBLE, vice president for pension operations at Equitable Life, says the impetus for payroll deductions at large firms "seems to be coming from top managers. They want to foster this investment."

Foord, whose firm markets seven mutual funds, has made IRA payroll-deduction presentations to executives of several smaller companies. "There is initial skepticism, but executives are won over when they see how easy and inexpensive it is for them to offer payroll-deduction programs," she says.

Payroll deduction "could institutionalize IRA's as a way of saving," says Wruble. "People feel more comfortable saving little-bitty pieces throughout the year rather than in one lump deposit." For people who can start with a large amount, securities firms are ready. Don Underwood, a vice president of Merrill Lynch, the nation's largest brokerage house, says the firm offers more than 20 IRA investment vehicles.

And with the Social Security system in continuing financial difficulty, "the government is giving us a message," Foord of Scudder muses. "The message is, take a greater role yourself in saving for retirement."

By next year the nation will know whether the tremendous IRA potential for savings and investments can be realized. □

## To IRA or Not To IRA

| | Starting Age Of Contributions | Value of Contributions at Age 65 In IRA | Not in IRA |
|---|---|---|---|
| 10% Return | 25 | $885,000 | $185,000 |
| | 35 | 329,000 | 95,000 |
| | 45 | 115,000 | 44,000 |
| | 55 | 32,000 | 16,000 |

This compares how much you would accumulate by investing $2,000 annually in an IRA with how much you would accumulate by taking $2,000, paying taxes at a 40 percent rate and investing the remaining $1,200 in a savings plan that did not offer tax-free compounding. Source: Scudder, Stevens & Clark

# SPEED

The Canon NP-400F delivers 40 crisp, letter-size copies a minute. Making it the fastest desktop copier in its class. And with a first copy speed of just 5.5 seconds, even your first copy comes out fast!

# REDUCE

Need a large drawing brought down to a more convenient filing size? Or a computer printout reduced to letter size? The Canon NP-400F has full reduction capabilities. Two reduction modes, 75% and 64%, make it extremely convenient.

# ENLARGE

In addition to general office use, it's a boon to architects, law firms, even schools. Now you can enlarge map sections, detailed drawings or make fine print more readable. The Canon NP-400F makes it as simple as copying an ordinary original.

# FEED

Canon makes it very simple for you with its Document Feeder. No more raising the cover or positioning the original. Just slip in the original and the Canon NP-400F does the rest. Speeds up the work flow.

# COLLATE

Forget about tedious hand collating. The NP-400F's optional 15-bin sorter collates up to 30 pages per bin at the end of the copy run. Handles any size paper. From statement up to ledger size. A real efficiency booster for high volume performance.

**Canon**
**PLAIN PAPER COPIER**
**NP 400F**

**A new standard of performance.**
**The fastest compact system copier.**



Copier cabinet and sorter optional. Specifications may change without notice.

© 1991 Canon U.S.A., Inc.

**MICRONICS MAKES IT SIMPLE.™**

For more information about the NP-400F, call toll free 1-800-526-7443 Ext. 321
(In New Jersey 800-522-4583 Ext. 321)
Or mail to: Canon U.S.A., Inc., P.O. Box 6023, Clifton, N.J. 07015

NAME
COMPANY
ADDRESS
CITY
STATE
ZIP
TITLE
DEPT.
TEL.

NA-BMM

# Borrowing Up, Profits Down



## THE HELLER/ROPER SMALL BUSINESS BAROMETER

*This is a report on the latest Heller/Roper Small Business Barometer, a survey of chief executive officers at more than 1,000 firms that have between 40 and 500 employes.*

*The survey, designed to show hopes and concerns for the first four months of 1982, as well as to cover some important longer-range business topics, was conducted in January by the Roper Organization under sponsorship of the Walter E. Heller International Corporation's Small Business Institute. Such surveys have been conducted at four-month intervals since January, 1980.*

OPTIMISM that characterized small business chief executive officers through much of 1981 has ended, but it would be a distortion to say they have turned markedly pessimistic.

There has been a sharp decline in the proportion looking forward to higher four-month sales and profits than in the same period a year earlier. On the other hand, appreciably more CEO's anticipate higher sales than lower sales.

Borrowing plans have increased since last fall, undoubtedly as a result of the drop in interest rates toward the end of 1981. Concern over excessive inventories remains at a high level, and plans to add to payrolls have softened.

The weight of opinion is that the recession will likely run through the end of the year or longer. Nevertheless, an overwhelming majority of CEO's believe that the Reagan economic program's long-term benefits will outweigh any difficulties currently being experienced.

About one in three among manufacturers, wholesalers, retailers and service companies alike has acquired, or intends to acquire, new capital equipment in reaction to the Reagan administration's tax reforms.

### Sales

The sales outlook has darkened considerably since the last Small Business Barometer survey was taken in September.

Asked how they expect sales revenues for the first four months of 1982 to compare with those in the same period last year, 41 percent of the CEO's in the new survey reply that they anticipate increases. In September, 52 percent predicted that dollar sales in the final four months of 1981 would be higher than in the same four months of 1980. The percentage expecting higher sales was 47 percent in January, 1981, and 53 percent last May.

Despite the decline in optimism, almost twice as many CEO's expect dollar sales to be higher than expect them to be lower.

The South is the most optimistic region, with 46 percent of CEO's polled there expecting increased sales, compared with 41 percent in the West, 41 percent in the East and 39 percent in the Midwest.

Optimism is considerably higher among CEO's of service companies (48 percent) and wholesalers (46 percent) than among retailers (39 percent) or manufacturers (36 percent).

Consistent with previous polls, CEO's of young firms have a much brighter outlook than CEO's of older ones—60 percent of those at companies in business less than five years forecast increased sales compared with 38 percent of those at firms in operation 20 years or more.

Expectations regarding unit sales, after fluctuating within a narrow range all through 1981, have also declined.

Thirty-two percent of CEO's predict higher unit sales for the first four months of 1982 than in the same period of 1981, while another 32 percent say they will be the same, and 26 percent say they will be lower. (Ten percent say they don't know.) In January, 1981, 39 percent expected higher unit sales, 30 percent, no change and 26 percent, a drop. In September, 38 percent anticipated higher year-end unit sales than for the same 1980 period, 27 percent, no change and 25 percent, a decline.

### Profits

Thirty percent of executives surveyed predict their firms' profits will be lower in the first four months of this year than in the same period last year. That compares with 25 percent predicting higher year-to-year four-month profits in May, 1980, 32 percent in January, 1981, and 35 percent last September.

Thirty-four percent of the CEO's say profits will be lower than in the 1981 period, and 33 percent say they will be at the same level.

Optimism is greatest in the South,

where 33 percent predict profit rises. In the West, the percentage is 30, and it's 29 in both the East and the Midwest. Thirty-two percent of CEO's at wholesale and service firms expect increased profits. The percentage is 30 among retailers, 28 among wholesalers.

Thirty-four percent of CEO's say their firms' profits will be lower as a percentage of sales in the first third of this year than in the same period last year. Twenty-eight percent anticipate a higher profit-sales ratio. The percentage of optimists is four points higher than in the January, 1981, survey. The percentage of pessimists is three points lower.

The degree of optimism is virtually identical in all regions—28 percent in the South and West and 27 percent in the East and Midwest. Retailers are more optimistic (30 percent) than service companies (28 percent), manufacturers (27 percent) and wholesalers (25 percent).

## Receivables

Small businesses are waiting longer to collect receivables than they were at this time in 1981 or 1980. The median waiting period now is 39.3 days, compared with 36.9 in January, 1981, and 37.4 in January, 1980. The current median waiting period is the largest since May, 1981, when it was also 39.3 days.

## Borrowing

Twenty percent of the CEO's foresee a higher level of borrowing during the first four months of 1982 than for the same period last year. Projected borrowing levels seesawed in 1981. The proportion planning heavier borrowing rose 6 points from January to May and dropped 6 points from May to September (when it was 17 percent).

Midwestern CEO's are the most likely (24 percent) to estimate increased borrowing and Eastern, the least (13 percent), compared with 21 percent in the South and West.

Thirty-one percent of firms with 300 to 500 employes expect increased borrowing, compared with 19 percent of firms with 100 to 299 employes and 20 percent of those with 40 to 99.

## Inventories

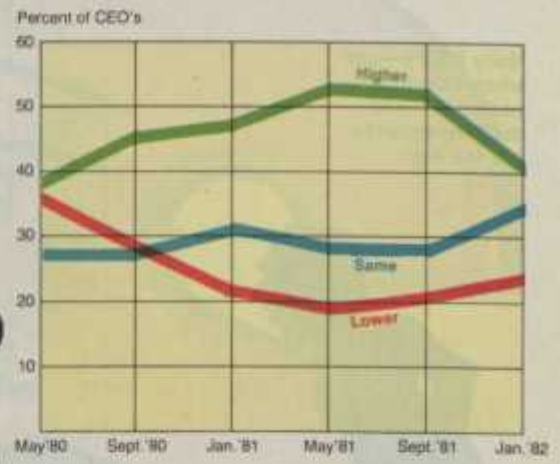
Assessments of inventory levels are similar to what they were last September and May. In the latest survey, 36 percent of CEO's express concern about excessive inventories compared with 35 percent in September and 36

ILLUSTRATIONS: JACK LEFKOWITZ

## Sales in Dollars

**CEO's who expect higher dollar sales outnumber those who have a more pessimistic view.**






## Profits

**A decline in the percentage of CEO's anticipating higher profits reverses a steady increase.**

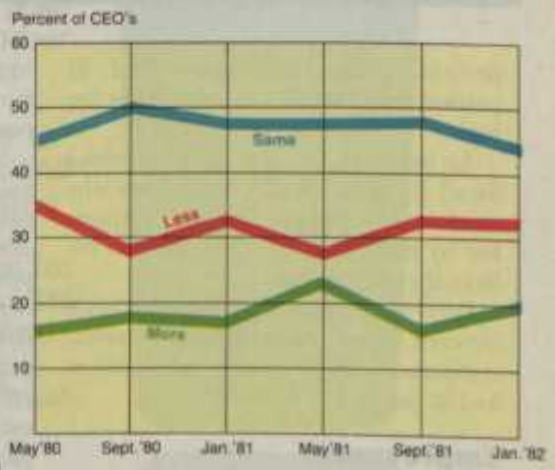





## Borrowing

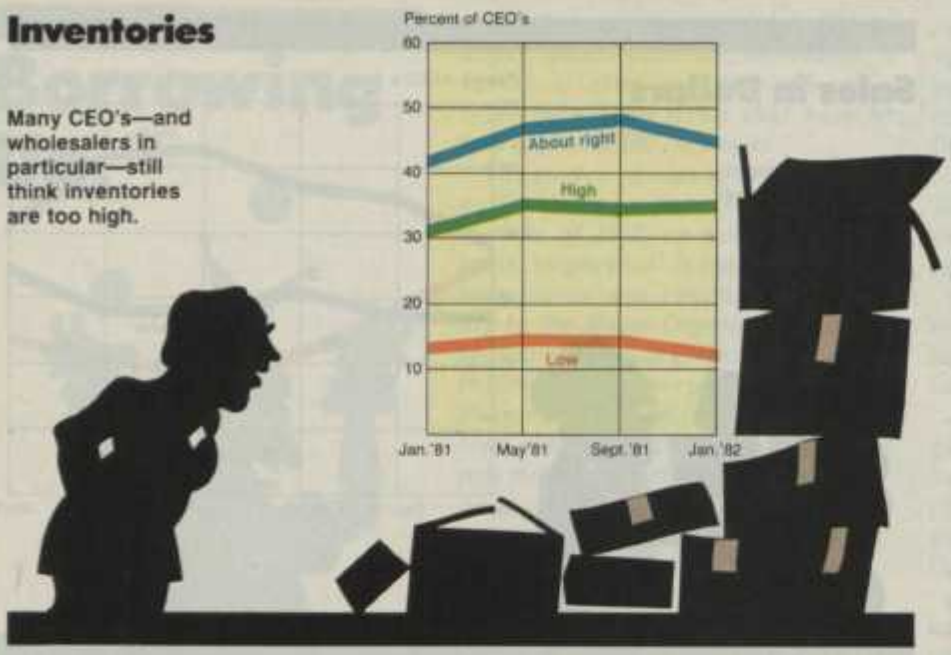
**A higher level of borrowing is predicted by 20 percent of CEO's at small firms.**





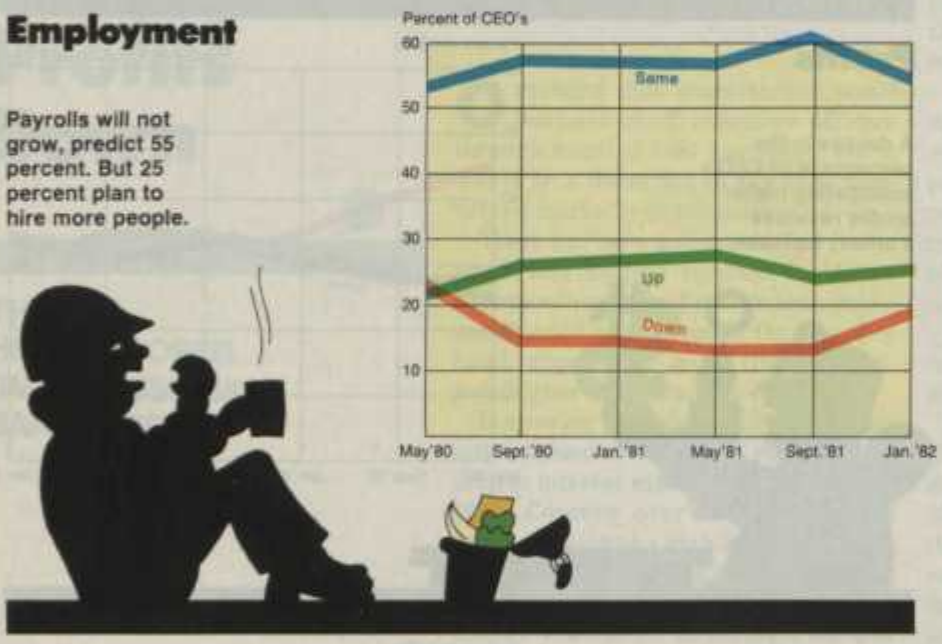
## Inventories

**Many CEO's—and wholesalers in particular—still think inventories are too high.**




## Employment

**Payrolls will not grow, predict 55 percent. But 25 percent plan to hire more people.**




percent in May. In January, 1981, 31 percent said their inventories were too high.

As has been the case in all previous Small Business Barometers, those who think inventories are too high outnumber by more than 2 to 1 those who believe they are too low.

Forty-six percent of wholesalers voice concern about excessive inventories, compared with 39 percent of retailers and 33 percent of manufacturers.

### Employment

Since September, there has been a 6-point increase—from 14 to 20 percent—in plans to reduce payrolls in a four-month period. This comes after more than a year of little change in staffing plans. The current percentage planning to have fewer employes is the largest since May, 1980, when it was 13 percent.

Nevertheless, 25 percent report they will add to their payrolls. This compares with 24 percent in September, 1981, 28 percent in May, 1981, and 27 percent in January, 1981. Fifty-five percent expect to maintain current levels, down from 61 percent last September and 58 percent in January, 1981.

Planned payroll reductions are highest in the Midwest (22 percent) compared with 16 percent in the East and West and 15 percent in the South. Seventeen percent of firms with 40 to 99 employes plan to cut payrolls, compared with 23 percent of those with 100 to 299 employes and 22 percent of those with 300 to 500.

### Recession

Forty-nine percent of the CEO's do not expect the current recession to end before the fall of 1982; 28 percent think recovery will take place by the end of the year, and 21 percent, later than that. On the other hand, 1 percent expect it to end this winter, 12 percent this spring and 28 percent this summer.

So far, most executives say, their firms are weathering the recession reasonably well, although 54 percent concede the companies have been hurt to "some" degree.

That figure includes 13 percent who say the damage has been "bad." Forty-five percent report their firms have not been hurt at all.

The recession has hit small business least severely in the South, where only 8 percent say their companies have been badly hurt, compared with 13 percent in the East, 14 percent in the West and 16 percent in the Midwest. Retailers have been most severely affected, with 19 percent reporting their firms have been badly hurt, compared with 11 percent of manufacturers, wholesalers and service firms.

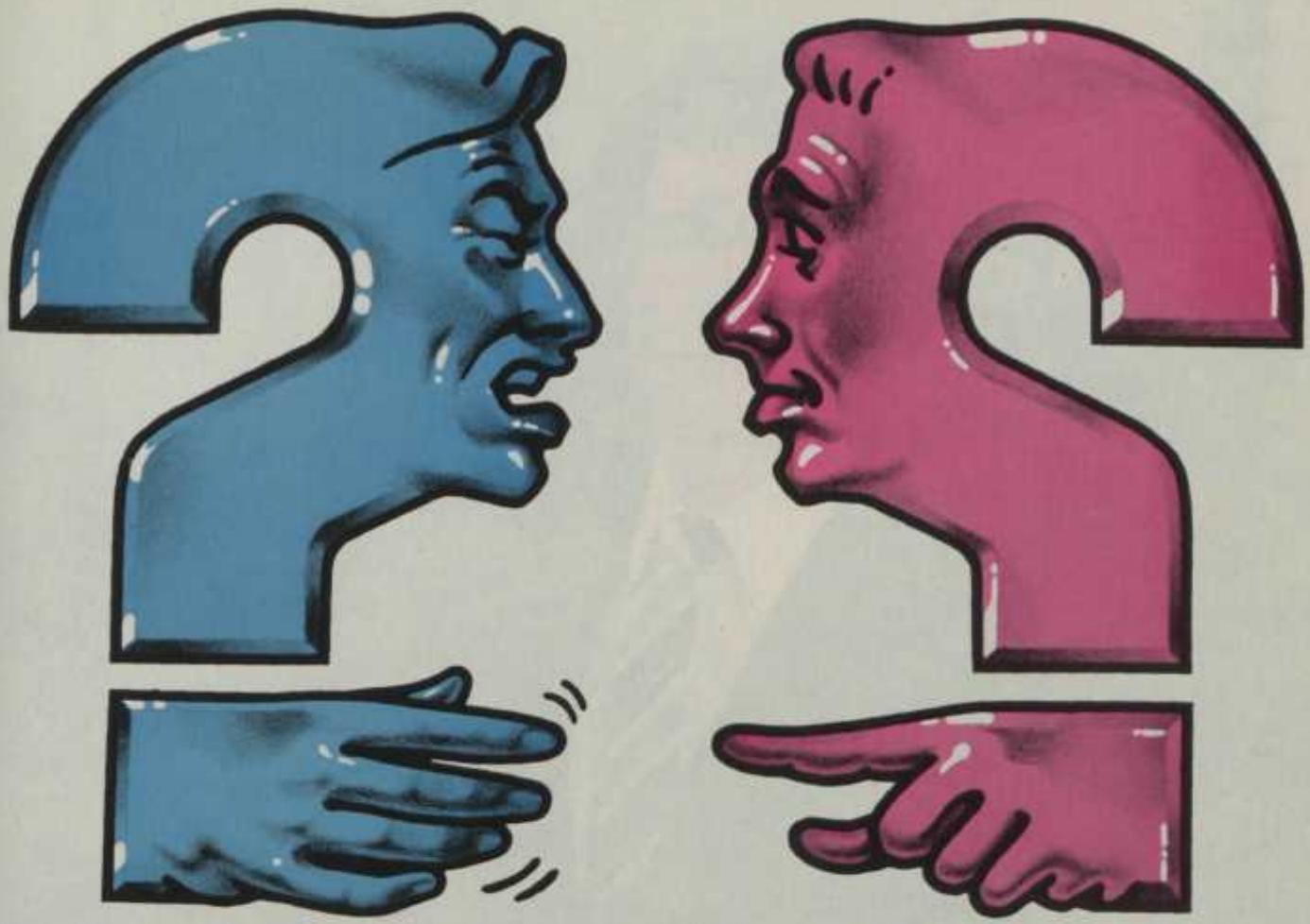
Despite the fact that most small businesses have been affected somewhat by the recession, 82 percent of the CEO's think long-term benefits of the Reagan economic program will eventually outweigh current problems. Only 10 percent say any long-term benefits are not worth the cost.

Thirty-six percent of small businesses say they have acquired, or intend to acquire, new capital equipment as a direct result of last year's tax reforms, and 4 percent report they are still undecided. There is little difference among manufacturers, wholesalers, retailers or service companies.

Five of six respondents who report acquiring or planning to acquire capital equipment cite the accelerated depreciation allowance as the impetus. Very few CEO's cite leasing regulations or research and development incentives as the prime factor.

On another subject, a majority of CEO's say small business interests are at least adequately represented in the White House. But Congress does not come off that well in the survey.

Eleven percent of the executives say small business interests are "very well" represented in the White House and 50 percent, "fairly well." As for Congress, 3 percent say small business interests are "very well" represented there and 44 percent, "fairly well." But 47 percent say the representation in Congress is "rather poor." □



# The Provocative Program for Dissenting Adults.

Every week "It's Your Business" pits the experts against each other for 30 minutes of heated debate and cool reason. It's the only national public affairs program that gives viewers both sides of the issues.

Our unique format has carried us into our third successful season on 150 commercial television stations, including 44 of the top 50 markets.

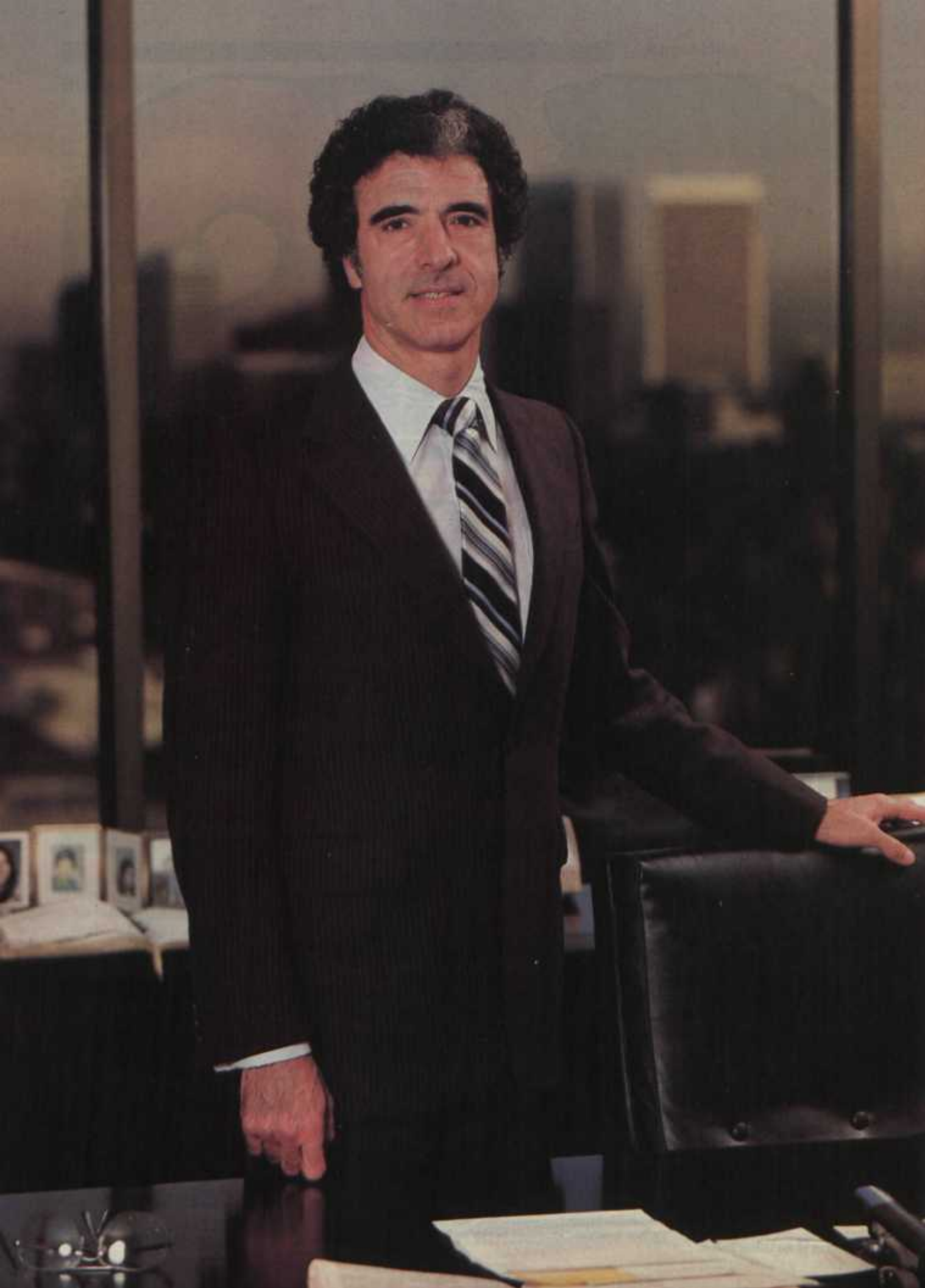
Prominent figures from Congress, business, labor, consumer groups and government join U.S. Chamber of Commerce President Richard Lesher and Moderator Meryl Comer to debate major business and economic issues affecting everyone.

Check local listings for the "It's Your Business" station in your area. And find out why our dissenting adults make sense for business.






Sponsored by the Amway Corporation, Anheuser-Busch Companies, Inc., The Goodyear Tire & Rubber Company, and PepsiCo, Inc. "It's Your Business" Produced weekly by the Chamber of Commerce of the United States.



# Bringing a Company Back From the Brink . . .

## . . . And moving it forward, far forward. That's the story of Joseph Alibrandi and Whittaker Corporation.

By Tony Velocci

WHEN Joseph F. Alibrandi joined Whittaker Corporation in 1970, a string of costly and misguided acquisitions—146 in all—had turned the company into one of the most financially precarious conglomerates anywhere. Bankruptcy loomed.

Debt was a whopping $331 million, nearly half of it payable within a year. Banks practically owned the company. The price of stock had sunk to a dismal $5.50 a share from $73 in 1968. And though Whittaker, primarily a manufacturing concern, was engaged in an extraordinary range of businesses, from steel to record jacket printing, it had no significant market share in any one.

"Whittaker had a massive indigestion problem, and when I arrived, it was a giant mess requiring fast change," recalls Alibrandi, president and chief executive officer of the Los Angeles–based company.

His first chore was to clean house. After visiting every operation to determine the company's strengths, Alibrandi began unloading marginal and unprofitable operations to raise badly needed cash. In all, he got rid of 92 operations over the next seven years. He then focused Whittaker's talents in areas where he thought the company could win a large market share. He also introduced the company to life sciences, which has since become Whittaker's most profitable business.

Today Whittaker is one of the most vibrant companies of its size in the United States. Some analysts predict that Whittaker, which operates worldwide and has 17,000 employes, will be among only 10 percent or so of American firms that will show an increase in earnings in 1982. Last year, sales (above $1.3 billion) and net earnings ($69.3 million) set records for the fifth consecutive year. Unlike the Whittaker of a decade ago, the company is now either a leader or a major force in nearly all its major product groups, of which life sciences (medical products and services) is only one. The others include marine products (fishing and pleasure boats, marine survival craft), chemicals (specialty coatings), metals (freight cars, petroleum industry goods) and technology (hydraulic components).




**Acquisition-minded Joseph F. Alibrandi heads Whittaker in the direction of prominence in the health care market. General Medical is a major subsidiary.**

Most of the credit for Whittaker's remarkable turnaround, say security analysts, belongs to Alibrandi. "He did a fabulous job of taking a sick company, purging it and building winners," says Robert Hanisee, president of AMDEC Securities, Los Angeles.

Analysts also note that Alibrandi's right-hand man, Executive Vice President and Chief Financial Officer Harry S. Derbyshire, played a large role in molding Whittaker into its present shape. Says Hanisee: "Together, they constitute one of the most effective and best-balanced teams on the American business scene."

Alibrandi, 53, is not a conventional

CEO. His hair—thick, curly and black—is longer than most of his peers'. He says the perks that usually accompany high-level positions are "a lot of baloney." He drives himself to work from his home in Sherman Oaks, shunning the idea of a company limousine. "It doesn't do a thing for my ego to have a chauffeur pick me up in the morning," he says. Until the board of directors pressured him to travel first-class on business trips, he always flew coach. "To some people those things are important; to me they don't mean a thing," he says.

PHOTO: WHITTAKER CORP.





PHOTO: BILL WAS

**A hard charger in the office, Alibrandi keeps in top physical condition by pursuing a regular running regimen at UCLA's track.**

Even his office is understated. It is functional and comfortable, but it is not especially large, and the paneled walls are bare. Its distinguishing feature is the view: the Pacific several miles in the distance and, on clear days, Catalina Island, 25 miles out in the ocean.

Before coming to Whittaker, Alibrandi worked for only one other firm: Raytheon Company. During 18 years there, he established a reputation as one of the most promising young executives in business. "His track record there was almost as impressive as it has been at Whittaker," says a securities analyst.

At 23, fresh out of Massachusetts Institute of Technology with a B.S. degree in mechanical engineering, Alibrandi joined Raytheon as a trainee conducting time-motion studies. Before he was 40, he was a senior vice president, in charge of Raytheon's missile systems division.

Meanwhile, Whittaker was struggling with severe operating and management problems. Two Whittaker board members recommended Alibrandi as someone who could straighten things out. After nearly a year of discussions, Alibrandi agreed to join Whittaker as an executive vice president. Within a few months he was made president; chief executive officer responsibilities were added some four years later.

Whittaker's board chairman is Eaton W. Ballard, a retired executive vice president of Carter Hawley Hale Stores, a department store chain. Ballard does not participate in the day-to-day management of Whittaker. As an outsider who serves on all board committees, he provides the objectivity that Alibrandi believes is healthy for a major corporation.

Alibrandi says his biggest challenge initially was "to get a lot of people who clearly felt they were on a sinking ship to believe we could save it." After charting a new course for Whittaker, he convened the company's entire worldwide management team in Los Angeles for a summit and presented his 10-year plan. "They were skeptical at first," he recalls.

By the time the weekend-long meeting broke up, skepticism had apparently turned to confidence. The management team went on to meet most long-range objectives and exceed others. "If I had not been able to sell the plan, it would never have worked, no matter how sound the strategy," says Alibrandi.

UNDERSTANDABLY, Alibrandi is proud of his skill at interacting with all levels of the corporate hierarchy. He is a marvelous motivator. Philip A. Phalon, Raytheon's vice president for international affairs, who has known Alibrandi since 1954, has observed him first-hand: "Joe can assess people quickly, learn what makes them tick and then create a desire in them to work for him."

There's no hocus-pocus to this ability. Alibrandi attributes it to principles he learned early. "The best education I ever got, including learning how to deal with people in every imaginable situation, was on the streets of Boston," he says.

That's where this son of poor Italian immigrants grew up. The challenge he and his brother faced daily was simple survival. "We were exposed to things my kids will never experience," he says. He recalls shoot-outs on his street. Once, a gunman tossed a pistol toward a sewer opening near young Alibrandi. "I stuck out my foot to keep it from dropping down, so the police would have it as evidence," he says.

Boston, like many major cities during the '20s and '30s, was a melting pot of ethnic groups, and rivalry between them was intense. "You didn't have a choice; either you learned how to interact with people of similar and conflicting interests, or you took your knocks," Alibrandi says. Today he believes there is no greater asset in business than being able to work with others.

He prefers to communicate with people directly. He rarely writes memos. "They are too imprecise," he says. He is notorious for talking to anyone within the organization, at any level, who he thinks can make a contribution. "Joe doesn't have much use for structured organization charts," quips a retired executive who worked under Alibrandi at both Raytheon and Whittaker.

Alibrandi tries to visit Whittaker's widely scattered operations in the U.S. and abroad as much as possible. He

# NOW EVERY BUSINESS CAN AFFORD PINKERTON.



Worried about thieves or vandals breaking into your business when no one's around?

You'd sleep a lot better knowing a Pinkerton K-9 Patrol was keeping an eye on things for you.

## LOW COST PATROL AND INSPECTION

We do more than deter thieves and vandals. More than just rattle doors. We check your business inside and out.

Each visit by a Pinkerton Patrol also provides a positive check against undetected fire or water damage. Or machines left running.

And the cost is low because you share the service expenses with other businesses nearby.

## FIT THE PACKAGE TO YOUR NEEDS

Maybe three or four inspections a night will provide the security you need. Maybe you need only weekend service.

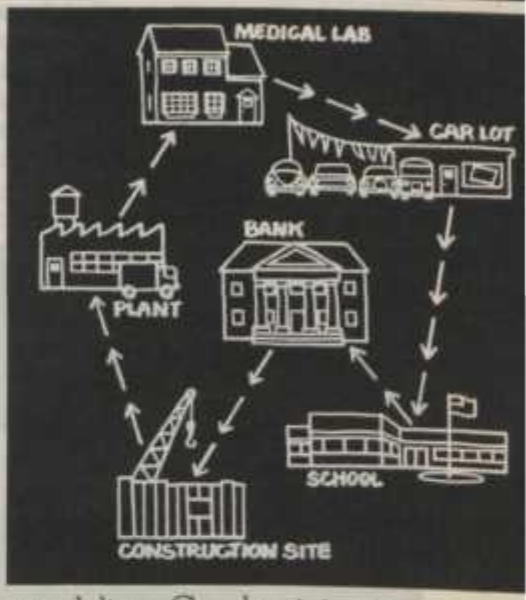
Perhaps you'd like Patrol escort for an employee carrying cash or valuables. Or protection for parking areas and late-shift employees.

Whatever you need, we'll work out the package to match.

## ALSO FOR SCHOOLS, APARTMENTS, CONDOMINIUMS

School Boards find P & I a tax-saving deterrent to vandalism. Condominiums, apartments and community associations rely on it to discourage intruders and troublemakers.




All told, the extra protection our low-cost service provides has solved a lot of security problems for hundreds of clients. Perhaps one of our present patrols can help you. Or perhaps we can arrange a new patrol in your area.



For more information, just call us at 212-285-4856. Or write Pinkerton's Inc., 100 Church Street, New York, N.Y. 10007.

**PINKERTON**

The most famous name in security.

greets employes with the exuberance a politician displays during the final week of a campaign. Once, while touring a new operation, Alibrandi surged ahead of his public affairs escorts and introduced himself to an outside technician who was there merely to install telephone cables. After Alibrandi had swept by like a whirlwind, the bewildered man asked: "Who was *that*?"

For Alibrandi, the beauty of the Whittaker opportunity was that it was not just a "take-over-from-Charlie-Smith-and-run-a-company" situation, he says. "It was a complete restructuring in every aspect—how we operate, what the organization ought to be, what the control systems should be."







**CHANGING YOUR ADDRESS?**

Please attach the latest address label from your Nation's Business cover, print your new address, and mail this form to Nation's Business.
Important: Allow five weeks for address change.

NATION'S BUSINESS
CIRCULATION DEPT.
4940 NICHOLSON COURT
KENSINGTON, MD. 20795

ATTACH LABEL HERE

name

co. name

address

city state zip code


He draws this simple analogy: "It was almost like putting a kid in a room with a bunch of blocks and saying, 'Build me a castle.' That's a lot different from saying, 'Here's a castle; here's how you build it and maintain it.'"

Perhaps what excites Alibrandi most about building the Whittaker castle is making sure there are plenty of sturdy building blocks for the future. "The real strength of a company like ours is to have a number of new businesses in the seedling stage at all times," he says.

FOR EXAMPLE, the company's life sciences group was a "seedling" seven years ago; now it accounts for nearly three quarters of a billion dollars in revenues. This Whittaker product group is the nation's largest overseas health care contractor and the second largest domestic distributor of medical and surgical supplies.

It started with the concept of providing health care in developing countries "long before anyone else even thought of it," says Alibrandi. The first effort involved sending a small medical team to Indonesia in the early 1970s to care for resident foreigners. The seed took root in 1974 when Whittaker signed a hospital management contract in Saudi Arabia worth some $100 million.

The deal in Saudi Arabia was an outgrowth of work Alibrandi had done there in the 1960s for Raytheon. He had overseen a missile installation and construction of a medical clinic. Whittaker has since expanded its life sciences business to other Middle Eastern countries. "It's an industry in which the technology and the needs are constantly changing," Alibrandi says, "and that spells opportunity, particularly with the huge imbalance in the quality of health care around the world."

Musing over the importance of Whittaker's current crop of seedlings, Alibrandi is reminded of an assignment he had at MIT. The project: Establish the feasibility of rotary lawn mowers for the mass retail market. "At the time, it sounded like the height of idiocy," he says. "Of course, today that's a multimillion-dollar business because someone was able to perceive where technology was headed and found an application for it."

Alibrandi's goal is for the life sciences group to generate some $2 billion in annual revenues by 1985; overall, he foresees Whittaker becoming a $4 billion conglomerate, all the while nurturing its seedlings for the future.

Sudden shifts in major markets could upset those plans, but he is convinced the company is now flexible enough to adapt. Of greater concern to Alibrandi is convincing employes throughout the company that they have a stake in its performance.

When Alibrandi joined Whittaker, he says, employes failed to see the link between productivity and rewards. He has talked up that relationship again and again, but no words could make the point better than a program he conceived several years ago and set up last October in the Fort Worth pipe division.

The program, which Alibrandi plans to extend to other operations, works like this: When employes produce more for the same cost or the same quantity for less cost, they get 80 percent of the saving; the remainder goes into Whittaker's coffers. "People have responded tremendously," says Alibrandi.

Alibrandi wanted to launch such a program much sooner but held off because other problems demanded attention first. "During our turnaround period, there were 9,000 things in the fire," he says, "and when you're on a raft in the middle of the ocean, you're thinking about survival—not how to improve the power of the outboard motor."

To the Fort Worth employes, the profit-sharing program illustrates clearly the advantages of job efficiency and pride in their work. Unfortunately, says Alibrandi, that concept too often is missing in America's offices and factories.

"Most people seem to have forgotten that there is a point at which you can no longer increase prices because somebody overseas is going to make it better at less cost and export it," he says. "Many layoffs in this country, especially in key industries, are a monument to people who have insisted on wages that are out of line with the value of the goods they produce."

ALIBRANDI FEELS JUST as strongly about import quotas and government subsidies to businesses, both of which encourage inefficiency in American plants, he says. "If I can't compete effectively on my own abilities," he says, "I shouldn't be in business. Conversely, if I can produce more and better, I ought to be paid more."

He has more than just a passing familiarity with this tenet; he has lived it. When he was 15, attending high school plus working a 40-hour week after school in a Boston textile factory, he got a lesson in labor-management relations. His employer reneged on a prom-

ise to pay bonuses to him and a score of other young employes if they exceeded a work quota. Alibrandi called a meeting to get everyone's reaction and wound up as the one who argued their case with their boss. All were fired.

Undaunted, Alibrandi went to the National Labor Relations Board to file a formal complaint, which only he and one co-worker were willing to sign. Hearing of this, the employer offered the two boys their jobs back plus their bonuses. Eventually, everyone was rehired and paid in full—at Alibrandi's insistence. "After that they all brought their problems to me, and I relayed them directly to the management," he says.

Alibrandi still believes increased wages should be based on productivity and quality workmanship, not the threat of a job walkout, and he tries to get that message across whenever he can. Often it's through editorials in the company magazine. Other times it's through speeches before groups.

Several months ago, he was invited by the Los Angeles Chamber of Commerce to debate economic and political issues with activist Tom Hayden, Jane Fonda's husband. Hayden advocates, among other things, that government subsidize industries nearly completely.

"I got the feeling as we debated that he doesn't really believe in half of what he preaches," says Alibrandi. "If he thinks socialism is so great, why doesn't he move to a socialist country?" Alibrandi suggested to Hayden that they have a follow-up debate, but Hayden declined.

HIS FAMILY is important to Alibrandi, who seldom takes work home so he can spend time with his son, 22, his two daughters, 16 and 19, and his wife, Tunny. But it is really the quality of time they share together that is most meaningful to him. "The older kids attend area colleges and still live at home," he says. "We have a pretty special relationship."

Alibrandi, who stands about 6 feet tall and weighs about 160, works to keep trim. He jogs at least four miles every other day. "It makes me feel better—and when I'm running consistently, I tend to eat better, too."

Skiing is another favorite pastime. So is hunting—with a camera. Not long ago, he was invited to an elk hunt in Colorado. Everybody but Alibrandi brought a rifle. At the end of a particularly frustrating day, gun-toting hunters complained they hadn't spotted a single elk. "They're out there," Alibrandi reassured them. "I got pictures of them."

Extensive civic activities outside of home and office demonstrate his belief that, as he says, business people have a responsibility to "put some of the equity back into the system." He serves on boards of numerous economic policy and advisory bodies. He is a regional vice chairman of the U.S. Chamber of Commerce and a member of its board of directors.

"Instead of spending so much time telling ourselves how great we all are, we in business ought to concentrate more on reinforcing a work ethic so that people take pride in what they do," he says.

"It may sound corny, but maybe when I'm gone, somebody will say, 'I remember Joe as a guy who was really trying to keep the free enterprise system going for one more generation.' If I can get that much, I'll be happy." □



*To order reprints of this article, see page 40.*


THE U.S. CHAMBER'S

4 STAR FILMS

**1 Let's Get It Back, America**

George Washington, James Madison, Alexander Hamilton and Ben Franklin are portrayed in this live-action musical, advising solutions to America's current economic and social ills.

**2 Small Business Keeps America Working**

Small business tells its own story: an enlightening documentary on the risks and rewards of small business ownership, and its importance to the entire economy.

**3 Freedom 2000**

This multi-award winner corrects public misunderstanding of business by looking at the free enterprise system through observers from another planet in the year 2000.

**4 The American Album**

Actor Jimmy Stewart narrated this award-winning film that looks at the important role private enterprise played in shaping our nation—and its importance to America's future.

ORDER TODAY!

Special Projects (202) 659-6183
Chamber of Commerce of the United States
1615 H Street, N.W. Washington, D.C. 20062

16mm color films, 20-29 minutes long
Check your choice(s):

| | 7-day rental | Dates | Purchase |
|---|---|---|---|
| Let's Get It Back, America | □ $25 | ____ to ____ | □ $225 |
| Small Business Keeps America Working | □ $15 | ____ to ____ | □ $175 |
| Freedom 2000 | □ $15 | ____ to ____ | □ $175 |
| The American Album | □ $15 | ____ to | □ $175 |

□ Bill Me □ Payment Enclosed
Make checks payable to the Chamber of Commerce of the United States.

Name & Title _____
Organization _____
Address _____
City/State/Zip _____
Phone ( ) _____

NB0382

# The Franchising



PHOTO: LES MOORE—UNIPHOTO



PHOTO: BRUCE L. WOLFE—UNIPHOTO




PHOTO: MIKE VALERI—UNIPHOTO

THE WAVE was just a ripple when Arthur Bartlett founded Century 21 a decade ago. He scouted the surge and then hung on until his real estate franchise was the largest in the nation. Finally, in 1979, he sold his interest for millions when Century 21 was acquired by Trans World Corporation, parent company of TWA.

Franchising had been around a long time before Bartlett made his success of it in real estate. The Singer sewing machine company has been credited with the first commercial application of franchising back in 1863. Coca-Cola sold its first franchise in Chattanooga in 1899. But in the 1950s franchising exploded with the entry of such notables as H & R Block, Holiday Inns, McDonald's and Kentucky Fried Chicken.

In just three decades franchising has risen to claim one third of every retail sales dollar in the United States. Sales of goods and services by franchising companies hit about $375 billion in 1981. Roughly 4.5 million part-time and full-time workers draw their paychecks from franchised establishments. In all, 476,000 franchised businesses dot the American landscape.

Franchising today has an appetite for more than hamburgers. Consumers are demanding a whole smorgasbord of business and personal services, and service franchisors are heaping their platters full. Meanwhile, franchising has moved overseas to an eager foreign market. Large companies like Trans World are hungry for successful franchised operations. Such trends make franchising a strong contender in the fight for consumer dollars.

Art Bartlett, for one, is still counting on franchising. This time around he has targeted a new industry—home remodeling—and a new company, Mr. Build International. But Bartlett is sticking with the same crest that brought him home with Century 21: service franchising—the wave of the '80s.

Service franchises sell assistance rather than tangible products, such as food or automotive parts. Business aids are a prime example of service franchising—accounting, employment, printing, tax preparation, real estate brokerage. In the past three years the service sector of franchising has grown 78 percent. By contrast, restaurant sales, the traditional bastion, have grown 48 percent.

*Franchising in the Economy*, a book published by the Commerce Department, predicts that heightened demand for business services will continue to open a host of opportunities to the franchise entrepreneur. Commerce also gives high marks to personal services: auto and truck rentals; home improvement, construction and cleaning services; laundry and dry cleaning; equipment rentals; educational services; and beauty salons.

Bartlett's Mr. Build epitomizes the franchisor's dream of finding a new angle to the franchise service sector. "I've been looking for something to franchise ever since I sold Century 21," Bartlett reveals. After studying all the possibilities, Bartlett decided home remodeling had the most promise because, he says, "it's easy to franchise. There are no large companies, no giants, and no one with clout in mass purchasing and financing."

Virgin land—like the remodeling field described by Bartlett—is what makes service franchising so attractive, and with the proper franchise package, growth potential can be phenomenal.

Mr. Build, based in Santa Ana, Calif.,

---

NANCY ANNE RATHBUN *is a free-lance writer living in Washington.*

# Wave of the '80s

By Nancy Anne Rathbun

## Fast-food firms are still growing, but the biggest growth is in services.




PHOTO: WILLIAM C. BLIZZARD—UNIPHOTO

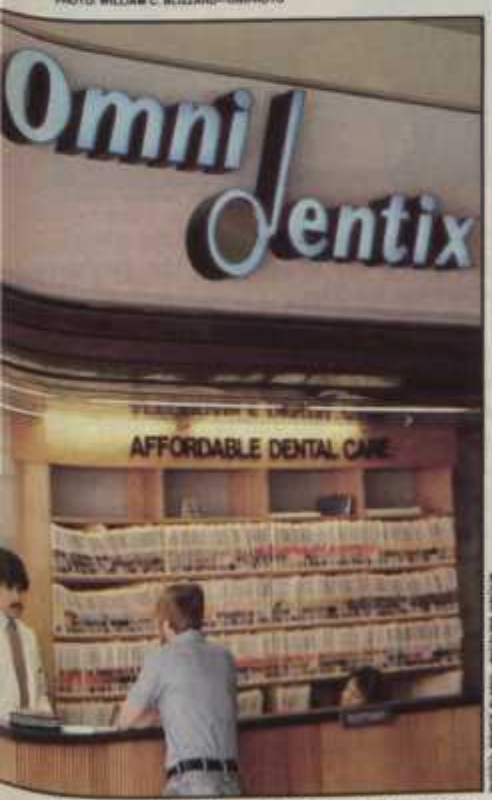



PHOTO: BRUCE FLYNN—PICTURE GROUP

**One proof that franchising is hotter than ever: Large corporations are acquiring franchised chains of real estate brokers and fast-food outlets. Meanwhile, new fields, especially professional services like dental care, are luring franchisors.**

was launched in September, 1981. In 90 days 10 regions were snapped up: Ohio, Chicago, Houston, Dallas, Washington, D.C., and five regions in the company's home state. Sixty franchises sold like hotcakes, and Bartlett is predicting 7,500 Mr. Build offices by 1986.

But if it took 10 years to reach that level with Century 21, how can Bartlett be so bullish about his new venture? That the industry is ripe for franchising is only part of the answer. Bartlett is determined to surround Mr. Build with competitive advantages.

"We're working with large lenders to put together the best financing in the remodeling industry," he says. "We're lining up materials suppliers for mass purchasing power. And for the franchise owner, we'll provide continual training in all aspects of running a quality remodeling business—construction, management, financing, legal, bidding and so forth."

Mr. Build appears to have one additional advantage necessary to success in franchising: a deep pool of potential franchise owners.

Unlike the real estate industry, which wasn't too happy when franchising arrived, the remodeling industry, Bartlett says, has greeted Mr. Build graciously. "The three trade associations representing remodelers have given us a tremendous reception," he reports.

Success in service franchising—or any franchising—requires four basics:

- A competent franchisor.
- A service with widespread consumer demand.
- A better way of meeting that demand.
- An enthusiastic response from qualified entrepreneurs who want to get in on the action.

How much of the market can a service franchise capture?

Management Recruiters International, headquartered in Cleveland, is one service franchisor with an established track record. Now the largest firm in employe search and recruitment, MRI has tripled its placement fee earnings in the past five years, reaching $100 million in 1981. Overall, sales receipts of permanent and temporary employment agencies have grown dramatically, too—72 percent since 1978.

"The search and recruitment business has mushroomed," explains MRI's cofounder and president, Alan Schonberg. To protect its market share, the company has done what many established service franchisors are doing: adjusting to client needs. Expanding beyond its original emphasis on recruiting upper- and middle-level general managers, MRI has established new divisions to target specific fields, such as data processing, secretarial work, and sales and marketing, and thereby responded to the changing marketplace. MRI will keep franchising as the basis of its growth strategy, and Schonberg predicts 1,000 MRI-affiliated offices by the end of the decade, roughly double the current number.

GEORGE A. NADDAFF, a former Kentucky Fried Chicken franchise owner, says, "The service franchise is where it's going to be in the '80s and '90s." To Naddaff, the service franchise means linking up business brokers coast-to-coast. He is founder and chairman of VR Business Brokers, Needham, Mass.

"We believe that through our nationwide offices, the VRBB franchise owner will find out what America is looking for in the way of businesses to buy," he says. Armed with computerized lists of businesses for sale, Naddaff thinks it will be easy to match the buyer with the seller anywhere in the country.

Naddaff has another idea—to help other franchisors sell their franchises. "We learned that dry cleaning establishments sell quicker and bring a bet-

ter price than any other business offering, so we signed with Martinizing, the 2,000-unit franchised dry cleaner, to sell their franchises for them." Naddaff is hoping to sign with other big franchisors, too, and become the franchisor's franchisor.

Here are a few examples of service industries now being penetrated by the franchise phenomenon: insurance (like ISU Companies, San Francisco), property management (Prime PM, Atlanta), commercial landscaping (Foliage Design Systems, Miami), domestic cleaning (Metro Maid, Englewood, Ohio), household inventory for insurance purposes (Video Cassette Review, Albany), television and appliance repair (Tronics 2000, Indianapolis), used-car brokerage (National Auto Finders, Wichita), bartering (Barter Systems, Oklahoma City), optometry (Searle Optical, Dallas).

Last fall, Bruce J. Walker, professor of marketing at Arizona State University, surveyed franchisors and found that health and professional services are hot possibilities. David B. Slater, who has seen franchising from several angles, agrees.

"The No. 1 growth area in franchising will be professional services," he predicts. Fifteen years ago Slater was president of Mister Donut; today he owns ABC Mobile Systems, a brake parts and servicing franchisor. He has high hopes for his latest venture, Omnidentix Systems, Westwood, Mass., a dental care franchise of which he is founder and chairman.




PHOTO: MIKE YAMASHITA—WOODFIN CAMP

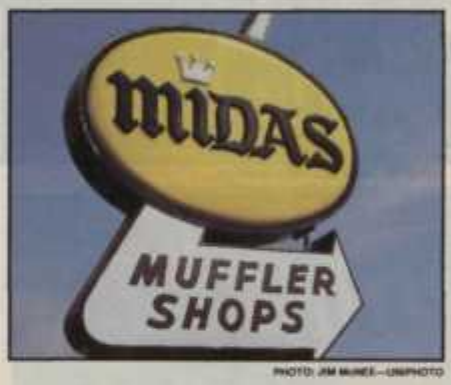



PHOTO: JIM McKEE—UNIPHOTO

"In the 1980s," he says, "the boom in professional franchising will be incredible. In five to 10 years, shopping centers will have a professional row—not only a dental clinic but also walk-in medical, legal, accounting, optometry, face-lifting, you name it."

THE BOOM PREDICTED by Slater and other industry observers is made more probable by a 1977 U.S. Supreme Court decision. In *Bates v. State Bar of Arizona* the Court cleared the path for lawyers to advertise their professional services, a move to which the American Bar Association has slowly and reluctantly acquiesced. The following year, the Federal Trade Commission ruled that doctors couldn't be restrained from advertising, either. Months later, a U.S. District Court ruled that the Louisiana State Dental Practices Act could not prohibit advertising by dentists.

With the advertising noose untied, the professions are free to try franchise marketing. Slater thinks "it's clear that a professional's right to advertise and promote can't be limited." And when state dental boards try to interfere with the franchising of Omnidentix, Slater tells them, "You can't do it and if you try, we'll sue you."

Thus, with legal barriers to advertising lifted and with determined franchisors like David Slater pushing ahead, prospects for franchising the professions are healthy.

Despite the hopes of would-be franchising kings, it's a long road to success. When the Commerce Department tracks down the country's franchisors for its annual survey, the agency always finds ghosts—companies whose telephones have been disconnected and whose mail comes back marked "Addressee Unknown." Others have simply stopped offering franchises.

In 1980 about 3 percent of the franchisors failed. They operated some 3,800 outlets with total sales of $498 million. The vast majority of these sales came from outlets owned by franchisees.

Although the absolute number of companies engaged in franchising has grown about 5 percent per year to 1,459 in 1981, there is turnover as new companies enter and others go out of business or discontinue franchising.

With proper investigation and open eyes, buying a franchise is safer today than it has ever been.

Many states have enacted laws to

Start having people work for you.

ESTABLISH YOURSELF IN A PROVEN PROFITABLE RETAIL BUSINESS

Exciting new concepts in business and people-to-people communications offer unlimited growth. We have almost 500 Big Red Q Quickprint Centers and we're planning to open 150 more this year. Our 15 years of experience works to your success.

EXCLUSIVE LOCAL & NATIONAL AREAS ARE AVAILABLE

Cash required $28,000 which INCLUDES your working capital. Total investment as low as $85,000 with financing available for qualified individuals. NOW'S THE TIME TO ACT! 14 offices throughout the U.S. ready to answer your questions and show you how easy it is to own your own profitable business.

CALL NOW TOLL FREE
1-800-537-7070

In Ohio, Alaska, Hawaii
Call Collect: 419-866-9311

or write:
C.D. Baxstresser
Big Red Q Quickprint Centers
Dept. N 10130 National Blvd.
Los Angeles, CA 90034

Member in good standing
International Franchise Association




PHOTO: JACK SPRATT—PICTURE GROUP

protect franchise buyers: California, Florida, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Oregon, Rhode Island, South Dakota, Virginia, Washington and Wisconsin all require franchisors to register with a state regulatory agency. The franchisor must also provide full details about the business when it discusses the sale of a franchise with a prospective buyer.

The Federal Trade Commission has intervened as well. In October, 1979, it issued a rule to govern franchise sales offers made anywhere in the country. Like the states, the FTC requires an extensive disclosure document.

For the most part, franchisors have supported the disclosure laws because they tend to root out the disreputable practices that gave franchising a bad name in the 1960s. Still, some legislation has been less popular.

Certain states, for example, regulate the terms and conditions under which a franchise can be terminated or not renewed by the franchisor. Twenty states now have these so-called termination-nonrenewal laws. Such legislation has been introduced periodically in Congress but never enacted.

FRANCHISORS contend that this well-intentioned protection for franchisees makes it hard for them to enforce quality control because the laws limit their ability to get rid of bad franchisees.

Proponents, on the other hand, argue that the legislation protects the franchisee's ability to continue in business without having to worry that he might be closed down by the franchisor.

Some states may take the laws a step further. Illinois legislators, for example, are considering a bill to require franchisors to buy back inventory and equipment and also refund a substantial portion of advertising fees when they terminate or refuse to renew a franchisee's contract.

Meanwhile, under pressure from franchisees, many franchisors have chosen to make concessions. As more and more contracts signed in the 1960s and 1970s have come up for renewal, franchisees have banded together to negotiate more favorable provisions with franchisors. For example, advertising—who does it and who pays for it—has been an item of particular contention.

In response, some major franchisors have formed franchise advisory councils made up of franchisee representatives elected by their peers. These councils have input to advertising programs and meet frequently with franchise company leaders to iron out problems.

Industry observers believe that the trend toward franchise advisory councils will accelerate and that the councils will help reduce tensions.

For the long haul, franchising is likely to see more and more state and federal intervention. This trend will increase operating costs and make it more difficult for new companies to enter franchising. To have an experienced law firm prepare offering circulars, for instance, now costs about $30,000.

Three industries—automobile and truck dealerships, gasoline service stations, and soft drink bottlers—have traditionally dominated the franchising field. These so-called product, or trade-name, franchisors accounted for 75 percent of the total $375 billion in franchise sales in 1981, but their growth rate has been declining.

Business-format franchises, by contrast, have been increasing their market share of franchising sales over the past few years. In this sector are the service franchises, fast-food restaurants, hotels, auto products and services, convenience stores and the many other companies that expand under a franchised trade name and use a standard business method the customer can recognize from store to store. Business-format franchise sales reached about $90 billion in 1981, up from $79 billion the year before. The outlook for continued growth in business-format franchising is excellent.

In 1981 fast foods grabbed the lion's share of the $31.5 billion franchised restaurant sales. As the largest and perhaps the most sophisticated sector of business-format franchising, fast foods are a reliable barometer of trends likely to occur throughout the system.

RECENTLY, SOME FAST-FOOD outfits that had moved away from franchising have moved back. Last summer, General Foods announced plans to sell new Burger Chef franchises after a 10-year lull in some regions of the country. Ralston Purina says that its subsidiary, Jack in the Box, will return to franchising this spring for the first time in a decade.

Obviously, then, even in a market some commentators have said is saturated, franchising continues to lure sophisticated companies. To compete, however, major fast-food franchisors are moving increasingly toward product diversification.

Burger Chef, for example, reports that the introduction of its one-third-pound bacon cheeseburger improved the company's overall profit picture, doubling sales in some units. Wendy's, which had declining sales in 1979, rallied when it offered customers a salad bar and a chicken sandwich. Even McDonald's, which commanded more than 18 percent of fast-food sales in 1981, looks to new menu items for a better market share. McRib, a barbecued pork sandwich, and Chicken McNuggets, fried chicken chunks with sauce, are being tested now.

What's the message here? The more

franchising penetrates and dominates a given industry, the more important product diversification becomes. Fast-food franchisors have found it to be a proven way to maintain and increase market share.

Fast foods lead the way in another important trend—international expansion. Currently, American franchisors are expanding faster in foreign markets than on the home front. McDonald's, for one, views international expansion as a key to continued growth. In 1980, 20 percent of McDonald's $2.2 billion volume came from abroad. Some foreign stores served up the highest per-store volumes chainwide.

Besides the golden arches, Americans traveling abroad will see other familiar signs: Kentucky Fried Chicken, Dunkin' Donuts, Mister Donut, Baskin-Robbins. Nonfood franchisors are taking their business abroad, too. Radio Shack, Midas, Avis, Servicemaster, Telecheck, Ziebart, Ramada Inns and Holiday Inns are being joined by newcomers like Grease Monkey and Yogi Bear's Jellystone Park Camp Grounds.

Canada is where franchisors have set up 38 percent of all foreign outlets. Japan, the United Kingdom and Continental Europe are big markets, too, and American franchisors are also opening outlets in spots like Kuwait, Morocco, Singapore and Latin America.

ACCORDING TO THE SURVEY of franchisors conducted by Walker, 400 franchisors expect to hang out their international shingles by 1990, a number about 2½ times what it was in 1970.

As American franchisors explore distant markets, foreign franchisors are moving to the U.S., though more slowly. Realty World Corporation, Tidy Car and Grandma Lee's International, for example, started outside the U.S. and now have operations here.

The fast-food industry exemplifies yet another trend: acquisition of franchise companies by large corporations.

Among the big companies that have teamed up with well-known franchises are PepsiCo (Taco Bell, Pizza Hut), Heublein (Kentucky Fried Chicken and Zantigo Mexican American Restaurants), Mrs. Paul's Kitchens (Arthur Treacher's Fish & Chips), Hunt International Resources (Shakey's), General Host (Hickory Farms of Ohio) and Royal Crown (Arby's).

One interesting move: In early 1980 Red River Resources, a major Swensen's Ice Cream franchisee, bought the entire Swensen's operation and moved headquarters from San Francisco to Phoenix.

The involvement of big companies in fast-food franchising has tended to consolidate profits in fewer and fewer hands. According to the Commerce Department, 54 companies accounted for half of all business-format sales in 1979—and of the 54, half were in the restaurant industry or automotive services and products.

Real estate franchising is also experiencing the acquisition trend. Besides the Trans World purchase of Century 21, 1979 saw Thomson McKinnon's acquisition of 53 percent of Realty World stock.

A few months ago, Coldwell Banker, which recently merged with Sears, Roebuck & Company, announced formation of a new franchising arm, Residential Affiliates. The clout of this partnership should go a long way in advancing sales of the projected 2,500 Residential Affiliates franchises.

In the future, more corporations are likely to gobble up the stock of successful franchised operations. This may strengthen the system overall but will probably concentrate the big franchising dollars in fewer pockets yet.

Generally, the outlook for franchising is bright. As service industries attract franchisors—and as consumers spend more of their income on services—this market share of the American retail dollar could well grow.

Nevertheless, franchising is an increasingly complex nut to crack. Trends—increasing regulation, the need to introduce new products to a fickle market, the infusion of foreign money, the appetite of big companies for franchising—all point to survival of only the fittest of franchisors. For those same reasons, though, franchised businesses may well enjoy a competitive edge over nonfranchised small businesses facing the same market challenges. □

*To order reprints of this article, see page 40.*





Coming in the May 1982 issue of **NATION'S BUSINESS** . . . a special report on the growing political clout of Small Business and its effect on the American economy in the 80's.

Take advantage of this special advertising opportunity to reach the "decision makers" in almost half a million firms.

For more details on advertising in this special report, call Brett Perrine, Advertising Director **(212) 370-1440.**

A message from one of the nation's leading authorities on utility finance . . .

# ELECTRICITY USERS WILL PAY FOR ADVERSE REGULATION


## By Eugene M. Lerner

**Professor of Finance, Northwestern University Graduate School of Management**




**During nearly 30 years in education, Eugene M. Lerner has provided expert testimony before legislative committees and regulatory agencies on national and state levels, has authored or contributed to 28 books, and has written more than 50 articles for leading financial, economic and management publications.**

Tomorrow's electricity consumer probably will pay higher than necessary costs for poorer service — the inevitable result of the shortsighted regulation of electric utilities that prevails in many states.

### Consumer ultimately pays

Future costs and quality of service depend upon the ability of electric utilities to finance new facilities and equipment now. To attract the capital required, utilities must be able to earn sufficient amounts to provide a fair return to investors after actual operating costs have been defrayed.

Unfortunately, the returns permitted by most state regulatory commissions today are below those offered by competitive, relatively safer investments. Actual returns are even lower. As a result, many utilities have had to cut back efforts to increase efficiency, convert to lower cost fuel, and develop new generating technology. When they do undertake such programs, they often must pay premium rates for funds. In either case, the consumer ultimately will pay.

In some states, regulators *are* taking action to protect the long-term interests of the community at large. At this time, there are nine states that, in my opinion, have a more reasonable regulatory climate than generally prevails. Their constructive regulatory policies include:

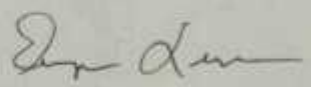
- **basing allowed returns on the rate base that will generate service when the rates become effective, not on some historical rate base;**
- **permitting the utility to apply tax benefits to equipment replacement and system expansion;**
- **including construction work in progress in the rate base, rather than delaying recovery of current financing costs;**
- **automatic rate adjustments for increased costs of some raw materials, instead of holding lengthy and expensive hearings;**
- **prompt rate decisions;**
- **setting allowed returns at levels comparable with those offered by competitive investments.**

My analysis shows that utilities in these states, because they are allowed to be financially healthy, can retain a significant portion of their earnings for reinvestment in the system while maintaining dividend payments to stockholders at adequate levels. Consequently, they not only can attract equity investors, but also offer greater safety to bondholders. Therefore, they can obtain funds on more favorable terms.

### Financing costs significant

Financing costs are a significant factor in the rates utilities must charge their customers. Sooner or later, the consumer must pay the higher financing costs that financially weak utilities incur. An alternative is to delay necessary improvements, which will mean still higher costs in the future and possible deterioration of service.

As an important result of more favorable regulation, utility managements are able to make operating and investment decisions based on long-term public need, rather than on short-term financial exigencies. The nation as a whole is the beneficiary.



Eugene M. Lerner

*This is one of a series of messages sponsored by the Edison Electric Institute, representing the investor-owned utilities that deliver 77% of the nation's electricity.*

*Participating independent authorities are not paid for these messages, but present them because they believe the issue is of critical national significance. EEI welcomes your comments.*


**Edison Electric Institute**
**The association of electric companies**
1111 19th Street, N.W., Room 716, Washington, D.C. 20036

# A Free—But Responsible—Press

YOU CAN'T always have it both ways. "Take your pick," says N. Perry Davis, the vice president of EDCO Microfilming, Springfield, Mo. "If the media had been restrained more, the *Washington Post* could not have exposed Nixon's tricks [in the Watergate case]." But if the *Post* had exercised more restraint last year, he adds, the reporter who made up stories about a child drug addict would not have had to give back the Pulitzer Prize.

By a margin of 8 to 1, however, NATION'S BUSINESS readers said yes to the January Sound Off question: Should the media exercise more self-restraint?

C.F. Giles, executive vice president of the Gallup–McKinley County Chamber of Commerce in New Mexico, points out that "certain life pursuits require greater discipline, responsibility and self-control than is illustrated in a mere job description. A police officer is authorized to carry a gun, but this does not give him a license to shoot up the world. The media have a larger role than just reporting news."

Charles H. Teal, an attorney in San Antonio, doesn't think "the modern media know the meaning of the word restraint. Freedom of speech is one of the most abused privileges. What about responsibility? What the media call the public's right to be informed more often than not turns out to be the public's insatiable curiosity about the sensational. The media's catering to this curiosity needs to be curbed."

Lack of accuracy in reporting the news is a complaint of many respondents who say that the media should exercise more self-restraint.

"Much of what is being reported today seems to be personal opinion and conjecture masquerading as news," says Ann Kent, a vice president of Edco Sales, an air filter manufacturer in Syracuse, N.Y.

James Stolley, senior vice president of Hammermill Paper Company, Erie, Pa., agrees. "The force that drives most of our media is competition, not the public's need to know. Editors and news directors would not keep their jobs if their competitors outreported them. What results is a frantic race to create news, and this adversely affects objectivity, accuracy and fairness."

But Richard C. Parks II, executive vice president of the Coshocton Area Chamber of Commerce in Ohio thinks that "the press should maintain an adversarial relationship. Its *raison d'être* is providing information in a timely fashion and assuring—to the best of its ability, given time constraints—that there is a factual basis for its reportings. The press is rarely justified in holding off on a story until the details are known. To do so runs contrary to the concept of news."

IN THE OPPOSING CAMP is Glenn Hop, a State Farm Insurance agent in Jenison, Mich. He argues that "the media's pompous concern with their own rights has been heightened to such an extent that all too often they display a total lack of respect for the rights and privacy of others. They often act like a flock of buzzards descending to pick clean the carcass," he says.

"Take the example of Richard Allen, the past White House national security adviser," says Alan C. Wren, tour operations manager at Sun City Travel Service, Sun City, Ariz. "The whole affair in the press and on TV was nothing but headline-grabbing sensationalism. In the end Allen was completely cleared, but because of the way the press and TV reported the day-by-day drama, he became ineffective as an assistant to the President and was forced to resign."

Richard L. Wottrich, an independent insurance and investment broker in Chicago, makes this criticism: "The mass media in general insult the intelligence of the public. The news is presented in a simplistic manner and is usually very low on actual content." □


**Dictaphone is rewriting the way people write.**




Introducing the new Dictamite dictation portable. The machine that lets you write six times faster than longhand.

With pocket-size convenience. One-hand operation. Minicassettes to capture your most fleeting thought, or take a full half-hour's dictation. All this, a mere 8.2 oz.

Fill out the coupon today. It may be one of the few times you'll ever use your pen again.

DNB-32

**The new Dictamite sounds great. Tell me more.**

Name_____

Title_____ Phone_____

Address_____

City_____

State_____ Zip_____

**Mail to: Dictaphone Corporation**
**120 Old Post Road**
**Rye, New York 10580**

**Or call: 800-431-1708**
**(Except Hawaii and Alaska).**
**In New York, call 914-967-2249.**

Dictaphone and Dictamite are trademarks of Dictaphone Corp., Rye, N.Y.

# In the East and throughout the USA . . .

**Planning a family vacation? Or maybe you're looking for a meeting site to offer outstanding conference facilities and resort amenities! There are more than 200 Hiltons in the USA! All are ready to serve up the things that make your trip memorable . . . whether it's for pleasure . . . or business with pleasure. Hilton features large pools, exciting entertainment and dining, comfortable rooms, and meeting accommodations that best suit your requirements. And when you visit a Hilton, chances are you'll find golf, tennis, sightseeing attractions, and the amenities that make Hilton most desirable . . . right at your doorstep.**












**NEW JERSEY**
**Mount Laurel**
Mount Laurel Hilton
**Newark**
Hilton Gateway
**Parsippany**
Parsippany Hilton
**Secaucus**
Meadowlands Hilton
**Woodcliff Lake**
Woodcliff Lake Hilton Inn
**NEW YORK**
**Albany**
Albany Hilton
**Buffalo**
Buffalo Hilton
**Corning**
Corning Hilton Inn
**Lake Placid**
Lake Placid Hilton
**New York**
Airport Hilton Inn (JFK)
New York Hilton
Rye Town Hilton (Port Chester)
Tarrytown Hilton (Tarrytown)
Waldorf-Astoria
**Niagara Falls**
Niagara Hilton
**Rochester**
Rochester Hilton
**Syracuse**
Hilton at Syracuse Square
Hilton Inn
**PENNSYLVANIA**
**Allentown**
Allentown Hilton
**Philadelphia**
Hilton Hotel of Philadelphia
Hilton Inn Northeast (Trevose)
Stadium Hilton Inn
Valley Forge Hilton (King of Prussia)
**Pittsburgh**
Airport Hilton Inn
Pittsburgh Hilton

# HILTON

**AMERICA'S BUSINESS ADDRESS**

**Call Hilton Reservation Service in your city**

WASH/E/7

Imagine
See, hear, touch

# THE ANNUAL WASHINGTON HOME ENTERTAINMENT SHOW

## May 6 - 9, 1982
## Sheraton Washington Hotel

**Home Video**
Video Discs
Cassette Recorders
Cameras
Furniture
Editing Systems
**Personal Computers**
**Electronic & Video Games**
**Video Clubs/Libraries**
**Photography**
**Arcade Games**

**Telephone Systems**
**Home Communications**
**Audio & Hi-Fi Systems**
Stereo
CB
Components
Shortwave
Radio
**Home Security Systems**
**Musical Instruments**

**Television Systems**
Consoles, Miniatures
Wide Screen Projection
Cable
**Earth Station Equipment**
Satillite Discs
**Antennas**
**Home Recording**
Tape Decks
Mixers
Amplifiers

## All Under One Roof
## Experience It

Sponsored by National Trade Productions, Inc. in conjunction with Washingtonian Magazine
Limited exhibit space is still available, for further information contact:

National Trade Productions, Inc.
9418 Annapolis Road Suite 206, Lanham, Maryland 20706
(301) 459-8383

WASH/E/B

# "B&B in the Boardroom?" "Absolutely."

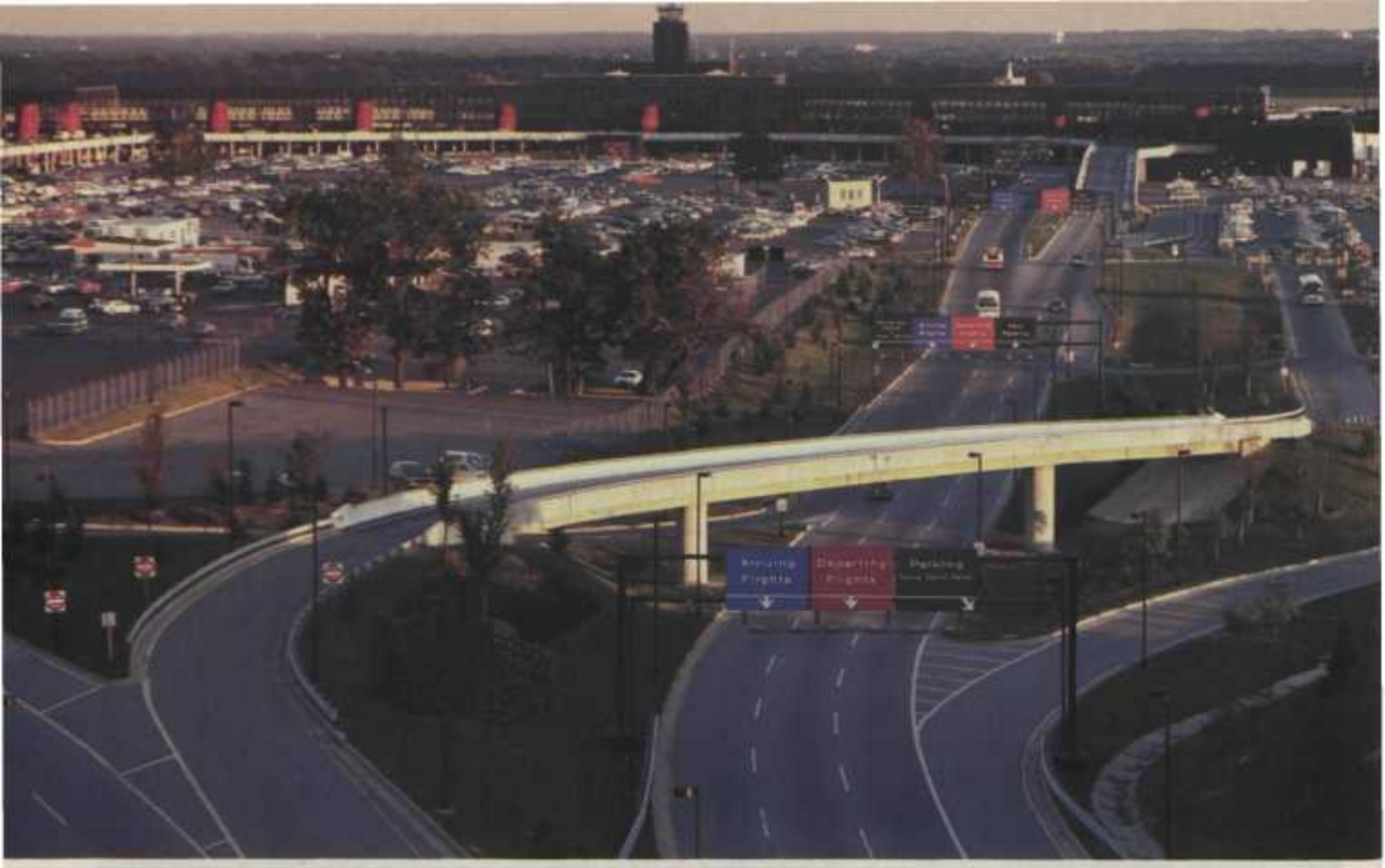


B&B

**Caterers of Distinction**

Transforming business luncheons and receptions into deliciously impressive occasions since 1946.
B&B Caterers . . . a confidence shared by Washington's most discriminating hosts and hostesses.

Telephone (202)829-8640 • 7041 Blair Road, N.W. • Washington, D.C. 20012



# BWI BRINGS WASHINGTON THE BETTER-THAN-EVER WAY TO FLY.

Better than ever. That's how it is to fly from Baltimore/Washington International. Because there's no fighting downtown congestion. No fighting for parking. No long delays due to stacked-up air traffic.

At BWI we offer the ease of curbside check-in and easy baggage claim. Spacious ticketing areas, lounges, even a fine restaurant. And a choice of three types of parking.

Plus, we offer convenient limo service to and from 16th and K downtown. Door-to-door service in the Maryland suburbs.

The following airlines serve BWI: Air Jamaica, Air Virginia, American, Cumberland, Delta, Eastern, Freedom, Holiday, New Air, New York Air, Ozark, People's Express, Piedmont, Republic, Texas International, Trans World, United, U.S. Air and World Airways.

You'll find your next trip goes a lot smoother when you use the airport that's better than ever. BWI. For information call 261-1000 or 859-7100.

**BWI**
BALTIMORE/WASHINGTON INTERNATIONAL AIRPORT



BOOK BONUS

# Win Your Battles With The CLOCK

## Are you your own slave driver?

*The tensions of work can have debilitating results for the corporate organization as well as the individual. In* Stress & the Bottom Line, *Dr. E. M. Gherman, who has served on the medical staffs of leading companies, examines the effects of stress on body and mind. The following excerpts discuss why time is a major stressor—and what to do about it.*

THE INGREDIENTS for time stress are built right into our culture and language. The fact that almost every American home, schoolroom, shop, business office, restaurant, automobile and church has at least one clock is indicative of our preoccupation with time as a commodity. Radio and television stations broadcast the time; wristwatches have alarms and dual dials for different time zones; telephone recordings tell us the time; and billboards, banks, public places and freeway signs remind us that life is ticking away.

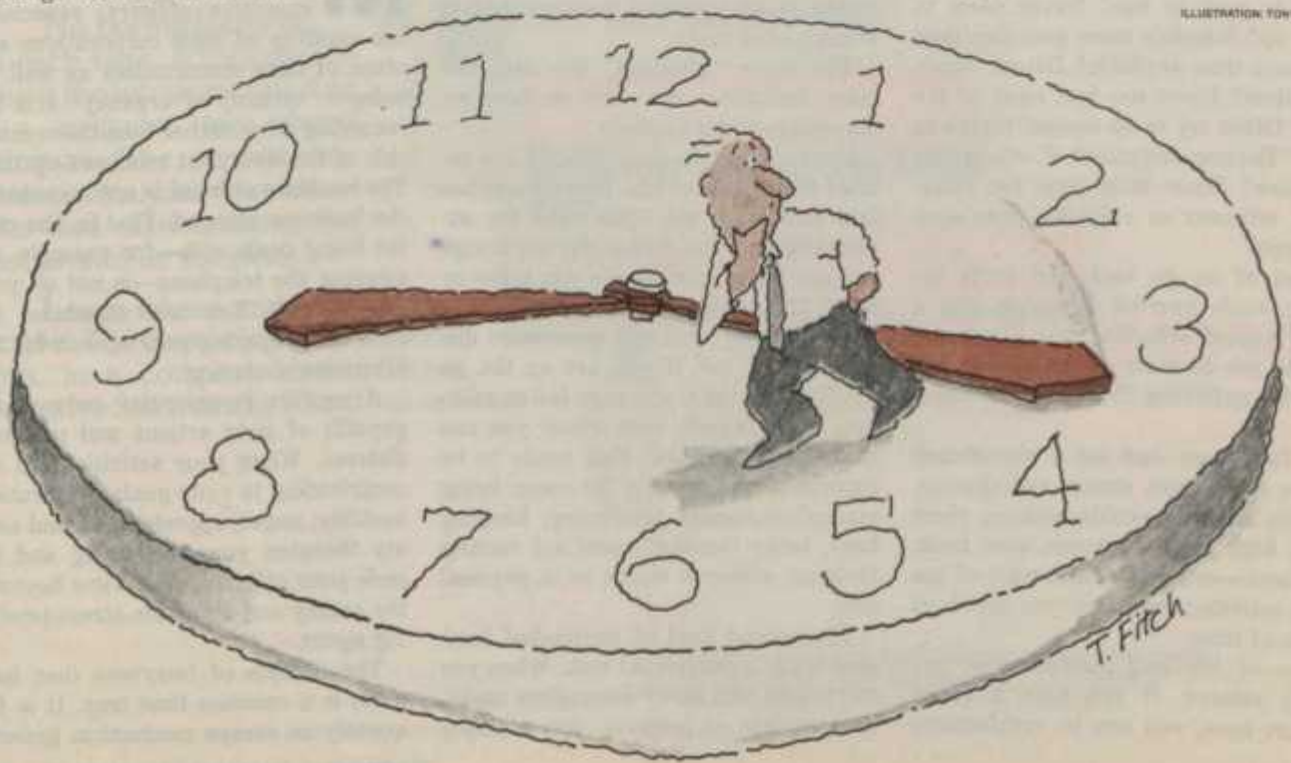
Americans speak of "taking," "losing," "wasting," "stealing," "gaining" and "killing" time. We regard time as a substance—something to be bought, sold, measured, manipulated and structured. Consequently, our behavior is largely governed by our mental abstractions of time. This psychological stressor can trigger an anxiety response that varies with each individual's characteristic pattern of reactivity; that is, his or her typical patterns of perceiving and responding to pressure.

The stress from demands made upon their time is a daily source of frustration and apprehension for most people. It stems from feelings of too much to do, guilt for not having accomplished more, boredom from lack of challenge and anger from interminable delay or duration. Being on a waiting line in traffic, at the bank or in a store can agitate many people.

EACH PERSON HAS a fairly well-defined sense of time urgency within which he or she works effectively and gains a sense of accomplishment. Beyond this comfort zone of reasonable time pressure, deadlines threaten, time seems to run out, there is not enough recovery time for a change of pace and the person begins to feel overstressed.

Time stress, although physically it creates the same effects as all other stressors, has its own special mental aspects. One feels desperate, trapped, miserable and often helpless. Depression, psychosomatic diseases, anxiety

ILLUSTRATION: TONY FITCH



and heart attacks are so prevalent among management personnel today that they are accepted and endured as the price to be paid for high-pressure jobs.

Alternatively, these problems are compounded by solutions unrelated to the real abuses. Drugs and alcohol may offer relief from a demanding life-style by deadening the senses and seeming to slow time down. However, these temporary solutions frequently become problems themselves.

YOU CAN UNDERSTAND your own stress better by seeing how it connects with how you live—your daily pace, the kinds of pressures you face, your perception of time. In other words, you must see stress as connected with the way you use time on an everyday basis.

The continuous battle with the clock in order to succeed is characterized by the feeling of being constantly behind schedule, with never enough time to get everything done. Because other people represent demands on one's already short time, those suffering from chronic overload are in too much of a hurry to allow for warmth or emotional sensitivity in their interpersonal dealings.

In fact, free-floating hostility usually accompanies the struggle against time. This hostility is a major stressor not only for the person who isolates himself but also for those he alienates.

The following self-assessment questions are suggested. Do you rush your speech? Hurry or complete other people's speech? Hurry when you eat? Hate to wait in line? Never seem to catch up? Schedule more activities than you have time available? Detest "wasting" time? Drive too fast most of the time? Often try to do several things at once? Become impatient if others are too slow? Have little time for relaxation, intimacy or enjoying your environment?

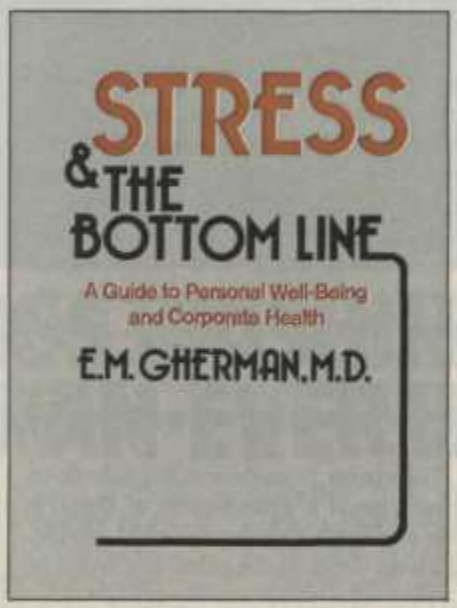
Most of us go back and forth between such hurried behavior and a more relaxed schedule, but if you answered yes to most of the above, you may be suffering from chronic overload.

A fast pace can be a significant source of tension, stress and disease. Various ailments—colds, asthma, chest pains, high blood pressure, sore back, stiff neck—are often the result of too many activities crammed into too short a span of time.

Pace of life and comfort zone are closely related. If you have a broad comfort zone, you can be comfortable and healthy at either a fast or a slow pace of life. You can live with a little or a lot of stimulation. But if your comfort zone is near the lower end of the tolerance scale, you need and are comfortable with a relatively slow pace.

Many people live at a pace that is either too fast or too slow for them. There is never enough time—or time weighs heavily on their hands. Sometimes the situation you find yourself in requires a pace that is neither comfortable nor healthy for you. For example, you may accept a job in a setting that requires more activity than you either need or want.

Some experts believe that many people suffer from stress-related ailments because of unfinished business, manifested in unexpressed feelings and in uncompleted tasks.




The more "civilized" we are, the more limitations we place on how we may express our feelings.

Unexpressed feelings clearly are related to the pace of life. If you move too fast and leave too little time for expressing how you feel about the things you are doing, the people you know or meet, the personal reactions you have along the way, you will experience distress. Then, too, if you are on the go much of the time, you may fail to cultivate close friends with whom you can share your feelings. This tends to be especially true of men; for some, being masculine means producing, keeping busy, being "strong"—and not venting feelings, either in words or in physical acts.

The second kind of unfinished business is the uncompleted task. When you carry with you many incomplete tasks, assignments or projects, you multiply the stressors—and the stress. Each unfinished task adds another ounce or two of strain. Each seems insignificant in itself. Combined, they create wear and tear. For many Americans, living with too many unfinished tasks is a way of life. Learning to avoid accumulating incomplete tasks and taking the time to express your feelings regularly will help you to control stress and prevent disease.

Some people get trapped into too many obligations and duties. The working life of many people is a rat race of deadlines and time commitments with few identifiable rewards. When this happens in too many aspects of life, people find themselves in a life-style trap. For example, busy executives, mothers, agency directors and volunteers may have real difficulty in slowing down because they have taken on too many commitments in too many areas of their lives. As the activities and responsibilities increase beyond normal limits, they note a decrease in time, energy and satisfaction.

Finding a pace of life that matches your comfort zone is vital to good health and productivity. Managing the pace of life—that is, controlling the number, variety and intensity of stressors to which you expose yourself—is at the root of successful time management. You must be aware of your time problems and how they affect you and must choose the pace of life that is best for you.

MUCH OF OUR TIME seems to belong to everybody else. Chief executive officers, especially, are captives of their corporations and often of their communities as well. In today's "tyranny of urgency" it is the recurring crisis rather than the creative side of business that swallows up time. The business at hand is not necessarily the business planned. That is, the matter being dealt with—for example, answering the telephone—is not on your priority list. You had scheduled the time for preparing your speech for the afternoon's meeting.

A conflict in priorities reduces the payoffs of your actions and produces distress. When your activities are not contributing to your goals, frustration, hostility, anger, apprehension and anxiety threaten your well-being and impede your effectiveness. Time becomes the enemy and a volatile stress-producing agent.

The illusion of busyness (not business) is a common time trap. It is frequently an escape mechanism generat-

# Discover how to improve your management talents and profits.

"Executive Seminars in Sound" is a lively 8-tape program designed to give answers to problems crucial in managing a business. The tapes cover:

1. HOW TO GET YOUR IDEAS ACROSS
2. MAKE THE MOST OF YOUR TIME
3. YOUR ROLE AS A DECISION MAKER
4. GUIDE TO BETTER PEOPLE MANAGEMENT
5. MASTERING THE ART OF DELEGATING
6. ORGANIZING YOUR PLANS AND PLANNING YOUR ORGANIZATION
7. STRATEGIES OF MOVING AHEAD
8. HOW TO LIVE WITH YOUR OWN SUCCESS

**No boring lectures.** On each tape, actors dramatize on-the-job situations that, as a manager, are always facing you. The expert commentary analyzes the situations and demonstrates the most profitable solutions.

**Learn where and when you choose.** The convenience of cassette tapes, in a compact binder, allows "Executive Seminars in Sound" to work for you anywhere, anytime – at the office, in your car or at home.




**Invest $95 in yourself and profit for a lifetime.** Send today for your complete set of 8 cassettes. Each "Executive Seminars in Sound" tape is no less than 45 minutes long. We'll even let you try it for 15 days FREE, and if you're not satisfied, return it for a full refund.

Plus, you receive a study guide with a written synopsis of each tape, ideal for personal review and group training sessions.

**I'll take you up on your 15 day FREE TRIAL OFFER.**

Send me "Executive Seminars in Sound." If not thoroughly satisfied, I can return it for a full refund.

☐ Check enclosed for $95.

Bill to my: ☐ Visa ☐ MasterCard ☐ American Express

Card No. _____ Expiration Date _____

Signature _____

Name _____ Title _____

Company _____

Address _____

City _____ State _____ Zip _____

**Nation's Business Executive Seminars Division**
**1615 H Street, N.W. Washington, D.C. 20062**

California and District of Columbia residents, add sales tax.

NB0382

ed by a fear of failure or fear of success. Keeping busy provides a comfort zone of activities that are manageable, low risk, pleasant and relatively easy. By keeping busy at less challenging tasks, you don't risk failing, nor do you have to expend all the effort success requires.

If large projects overwhelm you, break them down into component parts and start chipping away at that mountain of work step by step. You may very well discover many tasks that are incidental to achieving your goal and can be eliminated and other tasks that can be delegated. Many people have a tendency to put off the top-priority item because it requires more perfection. All your busywork—low-priority items, in terms of overall importance and payoffs—prevents the high-payoff items from being done. What you do illustrates what your priorities are. The most important things will only get done when you set a priority commitment of time and action for them.

A frequent stressor is time juggling, attempting to cram several activities into a time span that is generally appropriate for just one. In time sharing a computer can perform several discrete computations simultaneously by fitting one computation into the brief pauses that occur between other computations. The human brain, however, seems to lack this capacity to perform many simultaneous conscious operations efficiently.

It's difficult to prevent one task from interfering with another. Too many pressures can lead to wear and tear on the body. Too much stimulation or too many demands can lead to distress—a heart attack, high blood pressure, skin ailments, headaches, poor sleep, hostility or violence. Overloading can kill you.

A very natural behavior for many people is their inability to say no to almost any request. The consequence of this is frequently a great deal of stress generated by the subsequent awareness on the part of the person obligated to perform that the commitment cannot be met at all or in the time allowed. To avoid these stress-producing consequences of failure because of overcommitment, one needs to carefully assess in advance all factors involved in committing oneself.

The multiplicity of demands that modern life imposes on our limited store of time exerts powerful pressures on us to behave as though we were capable of doing several things at once. Much of our life stress comes from self-imposed obligations. Do you undertake crash projects, accept deadlines and agree to do challenging tasks without taking a realistic view of your capabilities and the time available?

The person who overcommits himself becomes his own slave driver and frequently becomes anxious at the thought of not performing as well as he wants to. He pushes himself at all costs, suffering great personal stress and often passing the stress on to his co-workers and friends.

Other people may exert pressure, try persuasion and even make occasional veiled threats. But only you can obligate yourself. Therefore, you need to maintain a flexible attitude toward your commitments, agreeing to those that you can reasonably keep, renegotiating those that are no longer feasible and declining to make those that are more than you can handle and that would bring your stress level to an unhealthy high.

MASTERING THE SKILL necessary to use time effectively must be self-generated. Life is what happens while you are making plans. Begin now with the patience and perseverance life control requires. Establish priorities for your clearly defined goals in terms of importance, payoffs and the potential penalties not doing them would incur. Accept the fact that the universe is not going to change and follow through on making those changes in your own world that will put you in charge of your life.

If you grow more aware of yourself and what you want out of life and learn more about the nature of stress and how to handle time demands, you are more likely to make stress work for you. By choosing your actions wisely, you increase your chances of becoming a winner rather than a loser. You need not be at the mercy of the clock; to a large extent, you can create your own future by learning how to deal with time. □

## Assertiveness—A Time Saver

You can't manage effectively if you are afraid to say no, if you shy away from conflict situations, or if your major concern is being well liked. Yet many people approach their lives this way. People are encouraged to be friendly, obliging team players. They are rewarded for sidestepping conflicts and for "not ruffling anyone's feathers."

You should develop assertiveness skills so that you may confront with confidence situations that typically produce anxiety, frustration, guilt and other unpleasant emotions and cause stress. Learn how to say no without feeling guilty, how to combat the fear of rejection or of making mistakes, how to gain the confidence necessary for making difficult decisions and for implementing controversial procedures. In short, assertiveness is a blueprint for confident, effective management with honest, open communications, a receptive climate for innovation and a healthy tolerance for the normal conflicts of everyday life.

Test your own assertiveness:

- Do you feel guilty when you have to turn down a request even if your decision is entirely justified?
- Do you agonize over the prospect of turning in a poor evaluation review/report for a committee member or co-worker?
- Do you sometimes feel that others are taking advantage of your "good nature"?
- Do you feel extremely uncomfortable when called on to take sides in a dispute?
- When an unpleasant assignment comes along, is your first impulse to handle it yourself rather than delegate it up or down the decision-making ladder?

Saying yes to something is a time commitment. Look upon your time as something valuable and guard against others' infringement on your life by depleting your most valuable resource—time. They cannot repay you for the time they have taken up; once the time is spent, it is gone forever.

*Reprinted by permission from* Stress & the Bottom Line, A Guide to Personal Well-Being and Corporate Health, *by E. M. Gherman. © 1981 by E. M. Gherman. Published by AMACOM, a division of American Management Associations, New York. All rights reserved.*

# HOW TO TAKE THE HEADACHES OUT OF HANDLING EMPLOYEE IRA PLANS.



IRAs may well be the greatest thing since paid vacations for your *employees*, as well as a boost to the economy.

But, for the average small or medium-size *employer*, they can be a real problem in planning, selection and administration.

That's where SAFECO can help.

First, we understand all the ins and outs of IRAs. They are *not* all alike, and SAFECO can help you understand the differences. We'll also help in your selection of the best plan for you and your employees. Our representatives know the subject and are available at all times for consultation. Without fee.

Second, we'll work out payroll deductions, at minimum cost to you, and minimize the burden of administrative responsibilities.

Monthly minimum per employee need average only $50. And our implementation is simple and straightforward. Your employees get competitive interest and a written confirmation of each deposit. Plus a yearly recap.

You get to be the person who made it all possible. Tax savings, substantial retirement fund, and flexible pay-out options for your employee.

And, oh yes. No hassles or headaches for you.

TM & © 1981 United Artists — ALL RIGHTS RESERVED

Available in most states.

## SEND FOR THE SAFECO SOLUTION.

**SAFECO Life Company**
**SAFECO Plaza, T-8, Seattle, WA 98185**

Tell me more about what you have to offer in the way of a better IRA plan and administration.*

Please send me the full story about how to keep my employees happy and me worry-free.

Name _____ Title _____

Company _____

Address _____

City _____ State _____ Zip _____

*Or see your local independent SAFECO agent. Or call toll-free 1-800-426-7649.

SAFECO

NB

# Let's Rebuild, America 70th Annual Meeting

Chamber of Commerce of the United States

April 25, 26, 27, 1982
Washington, D.C.

**Ronald Reagan . . . Alexander Haig. . . Marie Osmond! What do these people have in common? They've all been invited to Washington April 25-27 for the U.S. Chamber's 70th Annual Meeting. So are you!**

As you know, this year is a critical turning point in our nation's history. Here's an opportunity to gain first-hand knowledge of the Reagan Administration's and Congress' economic, legislative and political agendas. Also, a chance to witness the premiere of the Chamber's new telecommunications network, the American Business Network (BizNet).

A number of very special programs have been created with your interests in mind, including—

- custom-designed workshops for state and local chamber, association executives and others!
- a small business breakfast with a very special, surprise guest!
- a major address by invited guest President Ronald Reagan, along with the always colorful pageantry of the Marine Corp Band and their Drum and Bugle Corps at First General Session!
- a discussion of "The New Federalism" by top administration and other officials!
- a "*Faith in America*" breakfast with the dynamic Reverend Billy Graham as guest speaker.
- a discussion of foreign trade and international affairs by invited guest Secretary of State Alexander Haig!
- a futuristic look at America—in the year 2002!
- a bang-up, drums and bugles political rally featuring Democratic and Republican luminaries!
- our traditional reception and dinner-dance, featuring the entertainment of the Osmond Family!

All-in-all—the best Annual Meeting ever! The only thing missing from this year's event is. . . . you! *Please make plans now to attend.*

**Ticket Package:** $200.00 until April 10, 1982 ($270 thereafter)
**Registration Alone** (all non-meal functions plus the Sunday Reception): $130.00

**Fill out the registration form on the opposite page and return it today!**






# Advance Registration and Ticket Package Order Form

Chamber of Commerce of the United States
1615 H Street, N.W.
Washington, D.C. 20062

## Instructions:

1. **Be sure to use separate sheet for each registrant.**
2. Mark appropriate box for desired ticket option.
   a. Individual tickets also available at listed prices. Mark ones wanted.
   b. Student Tickets. Indicate "STUDENT" on title line of form. Free student ticket to a general session or workshop available if student is accompanied by individual paying registration fee or purchasing ticket package. Students pay regular price for breakfast, luncheon, or dinner.
3. Mark number of tickets and dollar amount for each event you will attend.
4. Add registrant's total amount, enclose check for *Grand Total* payable to Chamber of Commerce of the U.S. (or indicate credit card information) and send to:
   70th Annual Meeting Reservations
   Chamber of Commerce of the United States
   1615 H Street, N.W., Washington, D.C. 20062
5. Cancellation/Refund Policy—Reservations canceled prior to April 16, 1982, refunded in full. Reservations canceled on or after April 16, but prior to the start of the meeting on April 25, subject to 10% service charge. Reservations canceled on or after April 25 not refundable.
   Requests for cancellations must be received in letter prior to above dates. Phone cancellations accepted. However, a follow-up letter must be sent before refund is made. Call (301) 468-5105 between 9:00 a.m. and 5:00 p.m. Mondays through Fridays.
6. Seating at sessions and meal functions on first come, first served basis except at Annual Dinner. Annual Dinner seating based on date of receipt of paid orders.
7. Spouses are encouraged to attend. While spouses are not required to preregister, they must purchase tickets to any events they wish to attend.
8. Tour tickets are subject to the same policy as other tickets.
9. Additional promotion material can be obtained by writing or calling:
   Manager, Media Relations Division (202) 659-3160
   U.S. Chamber of Commerce, 1615 H Street, N.W., Washington, D.C. 20062

## Ordered by:

_____, 1982

Name _____ Title _____

Company or Organization _____

Street Address _____

City/State _____ Zip _____

Telephone _____

## Payment Must Accompany Order

(Make checks payable to Chamber of Commerce of the U.S., or if paying by credit card—American Express, VISA or MasterCard—give card number, expiration date, and name of cardholder)

☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

CARD NUMBER

Expires _____

In the name of _____

## Registrant Information:

Name _____ Title _____

Company or Organization _____

Street Address _____

City/State _____ Zip _____

Telephone _____

(If sending in registation for more names, please attach separate sheets for each registrant.)

## Ticket Information:

Call (301) 468-5105

☐ **Full Ticket Package.** The enclosed payment of $_____ covers _____ advance ticket package(s) @ $200 each ($270 after April 10, 1982), and $_____ for additional tickets as indicated on this form. Price includes registration fee and all items listed below except tours.

☐ **Registration Fee Only.** The enclosed payment of $_____ covers _____registration fee(s) @ $130 each. Includes all non-meal functions plus Sunday reception, except tours.

## Single Price Tickets

| | # Tickets | Each | Amounts |
|---|---|---|---|
| **Sunday** | | | |
| Workshops | _____ | $25.00 | _____ |
| 1. Helping State and Local Chambers of Commerce and Trade Associations Raise Money | | | |
| 2. How to Make BizNet Pay Off | | | |
| "It's Your Business" live taping | _____ | N.C. | _____ |
| Open House/Reception | _____ | N.C. | _____ |
| **Monday** | | | |
| Small Business Breakfast | _____ | $15.00 | _____ |
| 1st Gen. Sess. (Opening Event) | _____ | $30.00 | _____ |
| General Luncheon (New Federalism) | _____ | $30.00 | _____ |
| 2nd Gen. Sess. (America 2002) | _____ | $30.00 | _____ |
| **Tuesday** | | | |
| Faith in America Breakfast | _____ | $15.00 | _____ |
| 3rd Gen. Sess. (International) | _____ | $30.00 | _____ |
| The Chairman's Luncheon | _____ | $30.00 | _____ |
| 4th Gen. Sess. (Politics—1982) | _____ | $30.00 | _____ |
| Reception and Dinner-Dance | _____ | $50.00 | _____ |

## Tours

| | | | |
|---|---|---|---|
| Monday | | | |
| A. Capitol Hill | _____ | $35.00 | _____ |
| B. Hillwood and Mazza Gallerie | _____ | $36.00 | _____ |
| Tuesday | | | |
| A. Mt. Vernon and Olde Towne Alexandria | _____ | $30.00 | _____ |
| B. Best of Baltimore | _____ | $23.00 | _____ |

Total amount of the request $_____

Congressional Receptions and Dinners—Please send information about Congressional Receptions and Dinners for the states of _____

# A Business That Was a Natural

By Del Marth

NORTHERN New England breeds many independent, persevering and successful men, and Thomas M. Chappell, 38, is a chip off the old stock.

Hartford's Trinity College, where he majored in English, was merely a way station. So was Philadelphia, where he knocked on doors for two years selling group life insurance. In time he went to Kennebunk, Me., to "take charge of my own destiny," as he puts it.

There was little demand for his knowledge of Shakespeare. Nor were his fellow Down Easterners much interested in actuarial tables. But clean water, clean air, clean living—those were goals that Chappell's neighbors could relate to.



PHOTO: BONNIE DURRANCE

**Borrowing $5,000 to go into business for himself, Tom Chappell survived two false starts before striking it big with natural personal-care products.**

So in 1970 he borrowed $5,000 from a friend and started a company to make nonpolluting cleaners for dairy equipment. Business was sour. He tried a different product—a nonphosphate detergent he named ClearLake. Back in the early 1970s, such a detergent was unique, and ClearLake attracted a goodly number of customers. But Chappell, in his environmental enthusiasm, made a profit-sapping error—he offered to pay postage on each empty container returned by the customer for recycling. The postal bill was awesome.

"Looking back, I see that my impressions of what it took to be an entrepreneur were considerably naive," he recalls.

In 1972 Chappell shelved ClearLake detergent and tried another tack.

He and his wife, Kate, socializing with others who had been students in the 1960s, noticed that many were concerned about the proliferation of dyes and preservatives in commercial products.

Chappell had a lease on Kennebunk's empty Boston and Maine Railroad station off Main Street that hadn't yet expired, so he rearranged the vats. First he concocted a natural shampoo, then a natural liquid soap, then a natural creme rinse. As sales highballed, he turned to natural toothpaste, mouthwash, lotion, deodorant.

Tom's of Maine, Inc., was on its way. Profits began showing up the third year. The 1982 ledger sheets project sales of $3.2 million.

"We now make more than 40 personal-care products—free of preservatives, of dyes, of artificial sweeteners and flavors, of salt, of animal ingredients," Chappell says.

CONSCIENTIOUS ABOUT listing all ingredients on their products, Tom and Kate Chappell turn out sales literature that reads like an herbalists' dictionary—from apple cider vinegar for a rinsing agent to witch hazel as an astringent. For flavors and fragrances, they use extracts from leaves and blossoms, the favorites being spearmint and honeysuckle. Chappell also adds a personal touch on the packages, writing a "Dear Sisters and Brothers" message signed "Your Friend, Tom."

"Yes, our products are high-priced," Chappell says. "Natural ingredients cost more. But that hasn't hurt sales."

Most customers are under 35, female, college-educated. They find Chappell's products mainly in health and natural food stores, although he is now testing select supermarket and drug chains in New England. The West Coast, primarily California, accounts for 40 percent of sales, New England another 40 percent, and the central U.S., Canada and the United Kingdom the remainder. Chappell has seven saleswomen on the road.

Success remains pretty much a family affair. The Chappells hold a majority of company stock. The half-dozen managers among the firm's 35 employes can—and do—buy in.

Even with company growth running around 40 percent annually, Chappell is still confronted by entrepreneurial challenges.

"It is difficult, for example, for me to maintain my vision of what is correct for this business. That's because when you begin expanding and hiring professional help—like marketing and financial experts—you find some awfully conventional thinking out there. I must adjust their thinking to what I'm doing."

To him, a successful entrepreneur must not only have "confidence in his intuitive skills" but must also, when starting a small company, hire people "who are generalists, who are adaptable."

Chappell, with his background as an English major who sashayed into selling life insurance, experimenting with dairy equipment cleaner and dabbling with nonphosphate detergent, fits that mold himself. Otherwise, he would not have reached his goal of "having my own business, of taking charge of my own destiny" by concocting such products as Natural Fennel Toothpaste, Honeysuckle Roll-On Deodorant and Apple Shampoo With—what else?—Bee Pollen Protein. □

# Chart Yourself To A Good Computer System.Today.

One way is you find some outstanding hardware, then you find some really super software. And you find somebody who can put them together. And when something goes wrong, you find somebody who'll be there to set things right.

Or you can call us — Terminals Unlimited. We offer a complete line of microcomputers — the hardworking line from Intertec — from the standalone Superbrain up to the 255 -user Compustar system. And we take it from there — all the way to complete system support including selection from the largest and most flexible collection of printers under one roof. (We even make our own cables so everything hooks up right.) The chart tells you; just follow it to its final conclusion.

**Terminals Unlimited** Systems and Software

350 S. Washington Street, Falls Church, VA 22046

INTERTEC DATA SYSTEMS

Of all the micro-computer-based systems, either stand-alone or multi-user, we know of only one which gives you the flexibility you need, and should expect. Exceptional price/performance and you can grow with it — Intertec.

**Now Add Our Local Support**

We're in Falls Church and one of the fastest growing systems/support groups in the area. We offer you complete support — field maintenance, software, and services.

**Call TOLL FREE 800-572-0164**

**Standard:** We currently offer three unique system applications: **word-processing** with mathematical capabilities; **local and national networking** which includes electronic mail; and **automatic phone dialing system** which automatically dials, updates and creates a letter confirmation of the transaction.

**Custom:** We can help you develop a custom system in telecommunications, and many other areas. Also ask about our planned maintenance systems.

**Terminals Unlimited**

Yes, tell me more about your complete Intertec Systems.

Name _____

Title _____

Address _____

Phone _____

# A STRONG FINANCIAL PARTNER FOR TODAY'S BUSINESS AND TODAY'S BUSINESSMAN!

## Our customers want more from their bank and they get it at First American Bank of Virginia!

Call our Corporate Marketing Department today—let's talk about First American banking for your business—703/827-8719.




FDIC

1ST AMERICAN
FIRST AMERICAN BANK OF VIRGINIA

First American Bank Headquarters, 1970 Chain Bridge Road at Tysons Corner, Va. 22102

# PEOPLE IN BUSINESS

By Mary Tuthill

## Bugs: A Farmer's Best Friend

Success in most businesses involves getting the bugs out. For Dr. Howard E. Worne, however, bugs are his business. Worne, 68, a medical doctor turned biochemist, was working in genetic engineering 20 years ago—before it became fashionable.

In 1965 he developed new strains of hybrid bacteria that could detoxify major pollutants. Worne Biochemicals, then in Cherry Hill, N.J., marketed its product to a skeptical public. "When we developed this technology, there were so many quacks in the field, it was almost in total disrepute," says Worne.

PHOTO: ROBERT HAKALSKI—DEBORAH WOLFE LTD.



Dr. Howard Worne holds a jar containing bacteria that can help the world's farmers.

"Texaco was one of our first customers," he recalls. "And the only reason I got in was that I knew the president, who told the firm's vice presidents I was legitimate."

He developed hybrid bacteria with vastly improved capability to digest such harmful pollutants as cyanide, phenol, toluene, PCB and many others that ordinary sewage systems can't handle. Bacteria can also clean up oil spills on water or land and eliminate residual herbicides and pesticides from farmland. A farmer could detoxify agricultural land for about $15 per acre.

In January he sold the assets of Worne Biochemicals, the waste treatment division, and set up Bioferm International to concentrate on a different kind of "trained" bug he had been developing since 1973—hybrid bacteria that can eliminate or greatly reduce the need for nitrogen fertilizers. Nitrogen-fixing bacteria extract nitrogen from the atmosphere and convert it into substances useful to plants.

Worne's products come in liquid or powder form and can be used to coat seeds before planting or sprayed on the leaves of growing plants.

A farmer using Worne's bacteria can reduce the cost of growing crops or increase crop yield up to 57 percent. Worne expects exports of his bacteria to increase in the future, particularly to Third World countries. "I guess there isn't a place on the globe I haven't visited," he says. "I'm just as well-known in Nigeria or Japan as I am here."

Annual sales at the Medford, N.J., plant are about $500,000. "We are limited by our production capability," says Worne, who is planning to build a larger plant. "With the new plant I expect sales to go to $5 million or $6 million a year and to reach $100 million within five years because we are filling a need."

## Sailing the Sweet Sloop to Success

"I made my first piece of genuine candy in 1973," says Benneville N. Strohecker, 54, whose company, Harbor Sweets, now makes one of the most expensive candies on the market for a discriminating clientele across the country. At the time Ben Strohecker was a marketing director for Schrafft's Candy Company, and candy making was a hobby. He wanted to see just how good candy could be if he didn't have to think about costs.

In an informal poll he asked the candy lovers he knew, "If you could eat only one more piece of candy in your life, what would it be?"

On the basis of the replies, he decided to produce three types of candy: a chocolate-covered almond butter crunch, pecan halves in caramel covered with dark chocolate, and a sweet, dark chocolate flavored with peppermint crunch.

Soon Strohecker, who was making candy at home in the evenings and on weekends with the help of his wife, Connie, and their teen-age children, left Schrafft's and began marketing his own product. In 1977 he moved the operation into part of a rented warehouse in the historic seaport of Salem, Mass. The move inspired a nautical motif, which extends to the names of the candies.

"One day I was cutting butter crunch into triangles, covering them with dark chocolate and sprinkling them with chopped pecans," says Strohecker. "I ran out of dark chocolate, so I dipped the tops in white chocolate, and all of a sudden they looked very different." His son said they looked like sailboats, and his wife suggested calling them Sweet Sloops. They named the pecan halves in caramel Sand Dollars and the third variety Marblehead Mint.

Recently he thought up a fourth variety, the Barque Sarah. Named after a ship that sailed to Salem from the Canary Islands in the 1850s, this confection is substantial: a 9-by-5-inch slab of dark chocolate "so loaded with almonds it is guaranteed to break." The image of the *Barque Sarah* is embossed on one side.

All candies are individually foil-wrapped. The boxes are dated so they can be pulled and disposed of if not sold within six weeks.

Gift boxes are priced at $11.50, postage paid, but contain different amounts of candy. The price per pound ranges from about $15 to $22.

Forty percent of his business is by mail order, 40 percent is wholesale, and custom orders account for the rest.

In 1979 Strohecker received a request



Ben Strohecker gets ready to wrap embossed Marblehead Mints.

from the Museum of Fine Arts in Boston to make a sweet to be featured in its Christmas catalog and sold in the museum shop.

Since the museum's most popular exhibit was the section on Egypt, he made little mummies of chocolate and barley sugar crunch fashioned after the shawabti—servant statues buried with the dead to do the work in the afterworld. These shawabti candies were sold singly in a tiny cardboard sarcophagus and as a set of four in a cardboard pyramid.

Word spread and soon other companies wanted to sweeten their image with Harbor Sweets. Strohecker now makes round mints with special logos for a wide range of customers, including the Boston Symphony Orchestra, Sheraton Hotels, Laurance Rockefeller's Rock Resorts and the Metropolitan Opera. The logo for the museum of the *U.S.S. Constitution* shows an imprint of Old Ironsides.

By 1982 Strohecker expects annual sales to pass the $1 million mark. He seems less impressed with that than with the dedication of his staff. Many employes are handicapped, and some are students. Of the 200 people he employs, only about 50 work at any one time, all but five part time.

But everyone is trained in several steps of the production, and the operation runs as smoothly as pouring chocolate.

All of them admit to an addiction to Harbor Sweets candies, but he finds that they pace themselves. "They'll have a Sweet Sloop for breakfast," Strohecker says, "and a Marblehead Mint for lunch."

## Bagging Litter With Style

For Lorneva Johnson success is literally in the bag—the litter bag. You may have one of her vinyl or velour models in your car.

About 12 years ago, Johnson, a successful advertising saleswoman in San Diego, got tired of the unattractive and poor-quality litter bags that were available. She bought some vinyl to match her new car and made one that was admired by everyone who saw it.

Despite her success in selling ads, 50-year-old Johnson decided she wanted her own business.

"But I didn't know what, when or how," she says. Then one day two years later she got the idea of making and selling the litter bags. Her husband, Howard, was impressed with how well the bag she had made for her car had held up. His only question was, "What do you need to start?"

They bought an industrial sewing machine and vinyl in six colors. With the help of one of their daughters, who had learned to use an industrial machine in an upholstery class, she got into business. Her family promptly dubbed the new design a Granny Bag. That almost became the company name until a clerk in the business license office suggested that Johnson might someday want to make other products, and she chose H&L Products, Inc., instead.

She was so confident that it would be a success, Johnson says, that "from the very start I rented the largest post office box available to hold all the mail I knew H&L would be getting."

But there was much to learn about operating a small business. "It wasn't an instant success story. It took about three years before we were making a profit."

Safeway was among her first clients. However, she soon found that buyers didn't want just one product; they wanted a product line. The next H&L product was eyeglass cases made from end pieces of the vinyl. "Although there were thousands of these already on the market, we put an elastic strap on ours so it fit over an automobile visor, since our sales were for the automotive market. They sold well."

Johnson, always on the alert for new ideas, now has 74 items in the H&L line, including door pockets for cars, vans and pickup trucks; map holders, mirrors and receipt keepers for the visor; bags for the back seat; and curtains for vans and campers.

There is something for almost any automobile interior, even a litter bag that is covered in sheepskin. The company also makes bicycle bags for Schwinn. "Listening to what people say gives us an idea of what they need," says Johnson.

The business, now run by Johnson, her husband, two daughters and her brother, employs 70 people and has annual sales of more than $2 million. And the original litter bag is still a top sales item. Says Johnson, "Every seven seconds of every day someone is buying a Granny Bag." □

PHOTO: CINDY ROMERO



Lorneva Johnson designs her products to make car interiors less cluttered.

# Don't just follow business trends, stay ahead with Nation's Business.

Many of the trends affecting business are coming from the halls of Congress and the offices of regulatory agencies. It's vital that you not only keep up with them, but stay ahead of them. *Nation's Business* does just that for you. It tells you how to react in order to protect yourself, or profit, from these trends. Over 1,100,000 subscribers use *Nation's Business* as their guide to business, making it the largest business magazine in the country.

We can create meaningful perspectives because *Nation's Business* is at the cutting edge of Business Advocacy. As a publication of the U.S. Chamber of Commerce, we can draw upon The Chamber's experts who analyze the issues coming out of Washington. You'll have the inside information on subjects ranging from antitrust to minimum wage to transportation. You'll know where business stands and what you and the business community can do to combat or benefit from the government's legislation, regulations, administrative policies and judicial decisions.

*Nation's Business* is the only Business Advocacy magazine reporting business and economic news objectively, and advocating what's good for business. In these times, you need more than news, you need news you can use. Subscribe to *Nation's Business*. A smart move for staying ahead.




## I'm smart enough to want to STAY AHEAD!

I want to begin a one-year subscription immediately. 12 issues, at the low price of $22 or only $35 for two years—a $9 savings.

Name _____ Title _____

Company _____

Product or Service _____

Please send **Nation's Business** to the address below.

This is my home _____ my office _____

Street _____

City _____ State _____ Zip _____

Bill me _____ Payment Enclosed _____

VISA _____ MasterCard _____ American Express _____

No. _____ Exp. Date _____

**Nation's Business**, Chamber of Commerce of the United States
P.O. Box 1200, Washington, D.C. 20013

NOTE: 1-year subscription in Mexico or Canada is $33.00.

California and District of Columbia residents add sales tax.

NB0382

# Wishing You Many Happy Returns

By John Hanly Adams

As the midnight, April 15, deadline for your 1981 federal return closes in—

- For guidance: Get *Your Income Tax*, Publication 17 of the Internal Revenue Service. It answers most questions. You can order a free copy by mail (see pages 43 and 44 in the 1981 instructions booklet). Also useful: Publication 529, *Miscellaneous Deductions.*
- For help: Don't expect much from IRS. "Walk-in" assistance has been eliminated. You can try telephoning (see page 42 of the instructions booklet for the phone number in your area), but lines are loaded. If your tax is substantial and your affairs are complicated, ask friends and business contacts for references to accountants. The schedules of good ones will be jammed already.
- For proving deductions: Scour all your records, including check stubs. Such a review often turns up overlooked deductions.
- For more time: File IRS Form 4868 before April 15. That gives you until June 15 to file without penalty. But you still have to pay any estimated tax due after earlier payments and withholdings; you're allowed a 20 percent underpayment. If you can't pay anything, file Form 1127, too, and apply for a time extension for sending the check.

## Estate Tax Traps

Federal taxes on estates are due to drop sharply under the 1981 tax act. By 1987 estates of $600,000 will be exempt, so nearly all families should benefit from this shelter. But state levies may rise, and inflation can leave families vulnerable to estate taxes.

Transferring property to a trust or other beneficiary can still be a good idea for people who have substantial assets. Be aware of tax traps, however, if you try to reserve some rights in the transferred property.

A recent example: A woman transferred title to her home to a trust. The next year the trust agreement was changed to give her a 10/57ths interest in the house; her children received the other 47/57ths interest. She lived in the house with a daughter until she died. Her estate's tax return listed only 10/57ths of the home's value.

IRS said the home's entire value had to be included in her estate because of an implicit agreement that she had lifetime use of the house. The Tax Court agreed, saying the facts showed a family agreement providing the decedent a life interest in the home.

## One for Each Business

Self-employed people, including sole proprietors and such professionals as doctors, lawyers and artists, must file a separate Schedule C with their Form 1040 tax returns for every business they are involved in. Failure to do so can prompt a charge of negligence or fraud from IRS. Taxpayers who have already filed returns reporting income or losses from more than one business on a single Schedule C should file an amended return.

Revenue Ruling 81-90, issued March 3, 1981, affirmed that requirement in the following case: A husband and wife—both with professional incomes—filed their joint return with only one Schedule C. It reported both incomes plus the results of the husband's tax shelter investment, which produced $2,000 in income offset by $12,000 in deductions. An IRS audit disallowed the $20,000 in total deductions attributed to the wife's professional practice and the husband's tax shelter. That brought a deficiency judgment and this IRS warning:

"The failure to file three separate Schedule C's is evidence to be weighed in determining whether [the husband and wife] believed they had sufficient basis for their position and, therefore, under such circumstances, whether the understatement [of tax due] could be due to negligence or intentional disregard of rules and regulations as to the items giving rise to the deficiency."

As IRS says: "You must complete a Schedule C for each business."

## New Credit for Research

A business that increases its spending for research and experimentation is entitled to a tax credit of up to 25 percent of the increased expenses, thanks to the tax act. In figuring such expenses, you can count all pay to any employe who spends 80 percent of his time in qualified research, including, for example, design of computer software. An explanation of the new credit and its potential is available free from Ernst & Whinney, National Tax Department, 1225 Connecticut Avenue, N.W., Washington, D.C. 20036.

## Strike-Loan Funds

Professional and trade association dues have long been deductible as a business expense. Now, dues allocated to a strike-loan fund also qualify. An association that represented its members in collective bargaining and related labor matters increased dues to set up a special fund for members who are hit by a strike and need loans to stay in business and continue bargaining with the union.

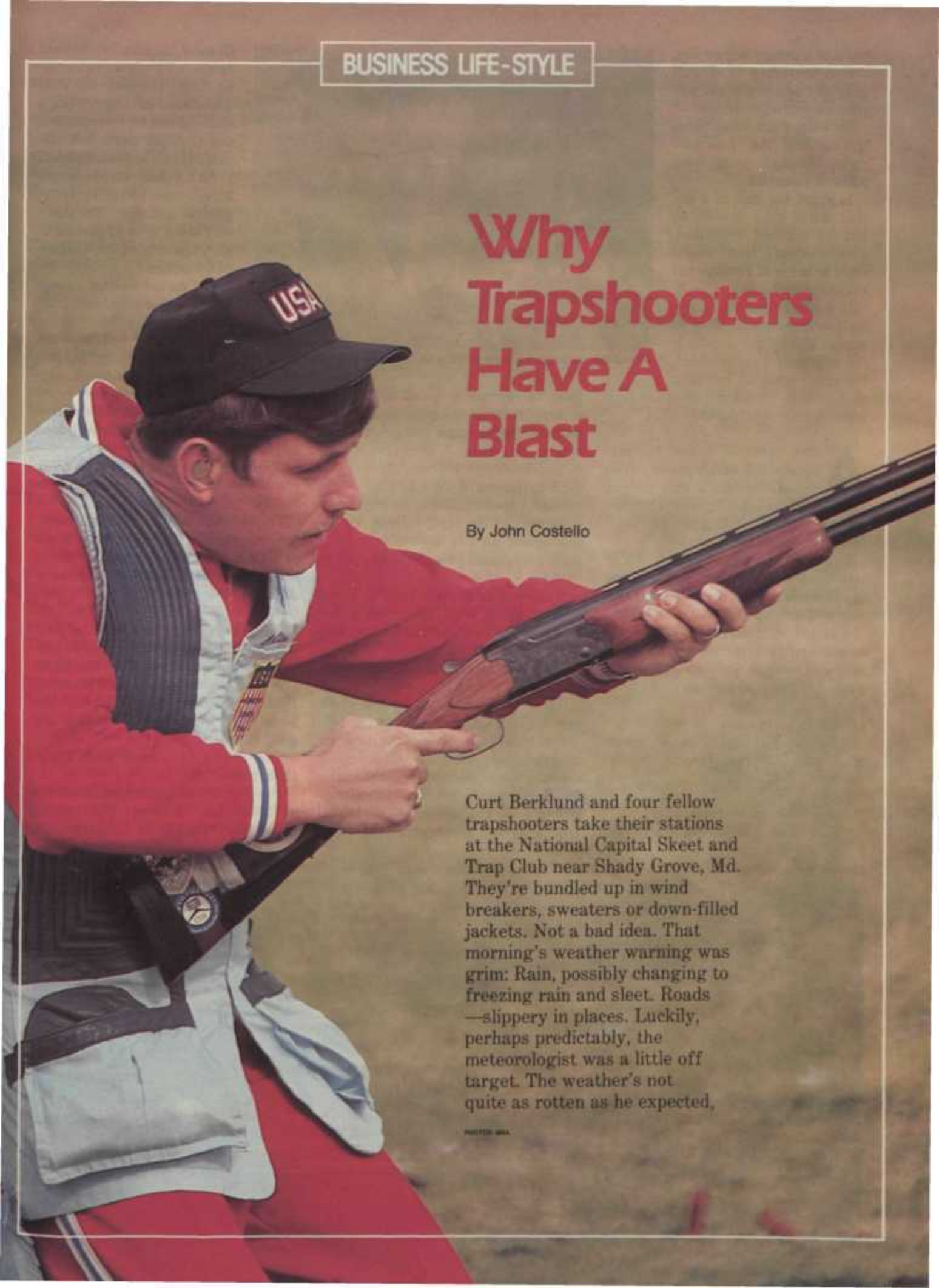
In Rev. Ruling 82-15, IRS said the dues increase is deductible.

## Sharper Pension Bite

Starting February 1, employers whose pension plans are insured by the Pension Benefit Guaranty Corporation (a federal agency) must pay 20 percent interest on any unpaid insurance premiums or other unpaid liability under the plans. The former rate was 12 percent. Hereafter, rates will be adjusted annually on January 1.

Premiums to PBGC are due by the end of the seventh month of a plan's fiscal year. □

*Note:* For Your Tax File *is an information service for readers. See tax and legal advisers for guidance on all specific and individual cases.*




# Why Trapshooters Have A Blast

By John Costello

Curt Berklund and four fellow trapshooters take their stations at the National Capital Skeet and Trap Club near Shady Grove, Md. They're bundled up in wind breakers, sweaters or down-filled jackets. Not a bad idea. That morning's weather warning was grim: Rain, possibly changing to freezing rain and sleet. Roads —slippery in places. Luckily, perhaps predictably, the meteorologist was a little off target. The weather's not quite as rotten as he expected.

but it is a dreary winter day, clouds lowering in a dull gray sky and the grass wet from an overnight drizzle.

No wind, but a damp, penetrating cold that nips you right through your long johns or snuggies.

In short, the kind of a day that would keep indoors all but the hardiest sportsmen. Few football fans would want to brave it. Perhaps not even snowmobilers.

It doesn't faze the Maryland trapshooters. They've turned out by the hundreds for a Winter League shoot. By 11 o'clock that morning, the one-lane, potholed road to the clubhouse is lined with parked cars.



A trap launcher sends clay targets spinning through the air.

AT THE CREST of a rise, five-man squads are banging away from six of the club's nine ranges. Their light-loaded 12-gauge shotguns don't go "KA-BOOM!" They go "pop," like a punctured balloon.

But from a long, thick grove of leafless trees that rise from a run below, the barrage echoes back with the dull roar of a distant waterfall.

Against that dark backdrop, the bright orange targets—one by one—spin up from the trap houses like tiny Frisbees. Then a gun pops, and the shattered disk splinters and falls to the ground or soars away untouched.

After firing at 50 targets, two rounds of 25 each, the contestant is through for the day.

Sound dull?

Not to millions of trapshooters.

"To me," says Berklund, "it's a break from the rat race we're all in." After a successful business career in Idaho as rancher, logger, mine owner and road builder, he came to Washington in 1970 to help Secretary Walter J. Hickel run the Department of the Interior.

"Now I spend full time managing my investments," he says, "mostly stocks and bonds. So I've always been in a pressure cooker, in government or in business."

When he's on the trap field, he never worries about Wall Street. He never thinks about puts and calls, short selling or price-earning ratios. And he doesn't even talk about leverage, stock splits or takeovers.

"Out there," he says, "it's a whole new world. That's where I unwind."

Berklund is a member of the Amateur Trapshooting Association. It sanctions meets, keeps scores and writes the rules for North American competitive trapshooting. It also sponsors the annual World Series of trapshooting—the Grand American Tournament held at ATA's home in Vandalia, Ohio. The National Rifle Association of America plays a similar role for international and Olympic meets and tryouts held in the United States.

"ATA has 83,500 members," says David D. Bopp, general manager. "But that's only about 10 or 12 percent of all trapshooters, an estimated 6.5 million."

The casual shooter spends about $300 a year, estimates Dick Baldwin, advertising and shooting development manager at Remington Arms Company. "But a day-in, day-out competitor who makes nearly every major shoot can spend $25,000 a year—for ammunition, entry fees, travel, food and lodging.

"Guns aren't sky-high. Most of those you see at a shoot run from $800 to $1,100."

Trapshooters call their targets birds, not clay pigeons. They're usually made of molded pitch and clay and are about the size of a small bowl—4 5/16 inches in diameter, 1⅛ inches high and ¼ inch thick.

English gunners founded the first trapshooting club in 1810. The targets hurled from traps then were live birds. The sport reached the United States in 1831. Americans soon replaced the birds with wood blocks, bottles and glass beads.

The first clay pigeon took flight shortly after 1860.

Dan Orlich has pulverized hundreds of thousands of them. The former Green Bay Packer is a crack shot

**Competition for the U.S. Olympic team is stiff. But as one trapshooter says, the real competition is "against yourself."**



whose skill won him a niche in trapshooting's Hall of Fame.

"For a long time," he admits when pressed, "I was considered the top shooter in the country. Say in the '60s and early '70s. But when you're my age, 57, you just can't compete with those 25-year-olds.

"So now I go to only two or three shoots a year. I used to go to 20 to 25. Trapshooting has become just an enjoyable hobby."

ORLICH, DIRECTOR OF special casino programs at Harrah's in Reno, Lake Tahoe and Atlantic City, likes to "smoke" his targets. One that's merely nicked is a hit. But to smoke that thin, spinning disk, you have to hit it squarely and shatter it.

"I think people like to see things break," he laughs. "It's psychological. Now if you hung that clay target on a string, with no spin, all you'd do is shoot holes in it. But when it flies out of a trap house, it's going 60 miles an hour and spinning very, very fast.

"Most trapshooters' guns are full choke. The bore is squeezed near the muzzle to keep the shot from spreading. It comes out of the gun in a long stream, almost like water out of a hose. The first pellets rupture that spinning target, then the tailing shot hits and makes it explode into a big puffball. That does something to you."

How good a shot is Orlich now?

"Well, I can still break 100 out of 100, but not as often."

In baseball, hitting .400 will put you in the Hall of Fame. In tennis, win six games out of 10 and you'll take every set. But those averages aren't good enough in trap.

Unless you're close to perfect, you're an also-ran.

Take Loral I (she pronounces her given name as one word) Delaney. She won the Minnesota women's championship in 1957 when she was 19. She has had the highest overall score for women at the Grand National five years in a row. One year, Delaney averaged nearly 98 targets out of 100 in singles, better than 91 out of 100 in doubles and handicaps.

"That's under American-style rules," she explains. "In singles and doubles, you fire 16 yards from where the target's released, and in handicaps, from 17 to 27 yards distant. In doubles, you have to bring down two birds thrown from the trap at the same time. Otherwise, just one at a time. They're released from the trap when you call 'Pull!' "

There's little margin for error. You get one shot per bird and a fraction of a second to hit it. Delay and it has sped out of range.

"For people who shoot regularly," Delaney says, "it's 'Pull'—bang! 'Pull'—bang!"

These clay pigeons are tougher to hit than real birds, hunters say. But not tough enough for Delaney. Her goal is the Olympics, where the tryouts and the final competition are shot under international rules.

The clay targets fly at twice the speed—120 mph vs. 60. They take off at a wider range of angles—up to 45 degrees left or right of the shooter vs. 22 degrees. Some skim along only 3⅓ feet off the ground; others shoot 13 feet up into the air. The flight plan for American registered targets is more uniform—8 to 12 feet high at 10 yards from the trap house.

"So you get two shots to wing a bird in Olympic shooting," Delaney points out.

What do you have to do to make the Olympics? "Be red-hot," Delaney says.

Len W. Burford has never been that incandescent. But he has warmed up considerably since the time, 14 years ago, when he first walked onto a trap field.

"The first time," he says, "I was kind of rotten."

But did he enjoy it? "Enjoy it?" replies the vice president of Burford Corporation, Maysville, Okla., and past president of ATA. "Hey, I was flying 10 feet off the ground."

A Class D shooter then—a beginner—he's Class A now. The difference, he says, is partly practice. "It's a sport where practice helps. Plus understanding weather conditions, terrain and how to compensate for the wind. What makes it intriguing is that no two fields are the same and no two days identical.

"One of the things I like about the sport," he says, "is competition. You're always competing against yourself, striving to do your best." □

## Brothers in Arms

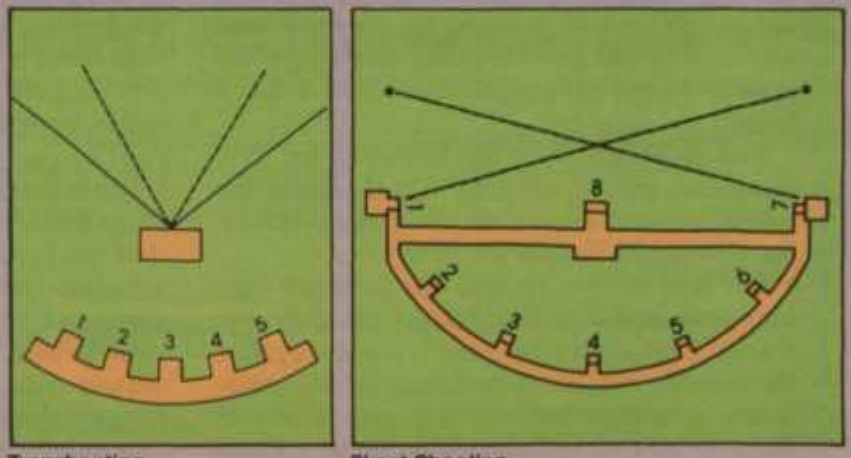
Trapshooting has a brother sport, skeet. It's a kid brother. Skeet—the name comes from a Scandinavian word for shoot—originated in the U.S. a century after trapshooting's birth in Britain.

Many a trapshooter is a skeet shooter, too. The sports often share the same shooting clubs.

Like trapshooters, skeet shooters fire at clay targets hurled into the air in front of them by a mechanism called a trap. But trapshooters fire from five stations laid out in an arc behind the trap house; skeet shooters fire from seven stations laid out in a semicircle between two trap houses—a high house and a low house—with an eighth station at the radius of the semicircle.

From the high house, the clay birds fly out 9½ feet above the ground; from the low, 3 feet. Unlike trap, the targets for skeet shooters always fly the same path. If released from the high and the low house at the same time, the birds would meet at the center of the semicircle, 63 feet from the stations on the rim of it.

Upland bird hunters began the sport as a way to get some wing-shooting practice between seasons, the National Skeet Shooting Association says.




Trapshooting — Skeet Shooting

# How To Keep the Ball Unrolling

FIFTY YEARS from now, will the Reagan Revolution be seen as a major turning point in American politics—comparable to Roosevelt's New Deal—or merely as a pause in the progress of the pre-existing order? For a clue to the answer, watch what happens to the administration's New Federalism proposal.



PHOTO: ROGER SANDLER—UNIPHOTO

Most of the programs that led to today's busted budgets and concentration of power in Washington have shared a common feature. They have been launched with modest initial expenditures and enticing promises for the future. By the time the bills come due, so many people have been ensnared by the promises that it has been impossible to end the programs and very difficult even to cut them back.

This game is an easy one to play if you have no objections to steady growth in the size of the central government and no scruples about leaving others with the tab for your party.

But how do you reverse the process? One-time cuts in this or that budget category—no matter how successful—can't prevail against the steadily escalating pressures of the established spending machine. Nor are such cuts likely to survive the administration of a President with the strength, determination and skill to make them.

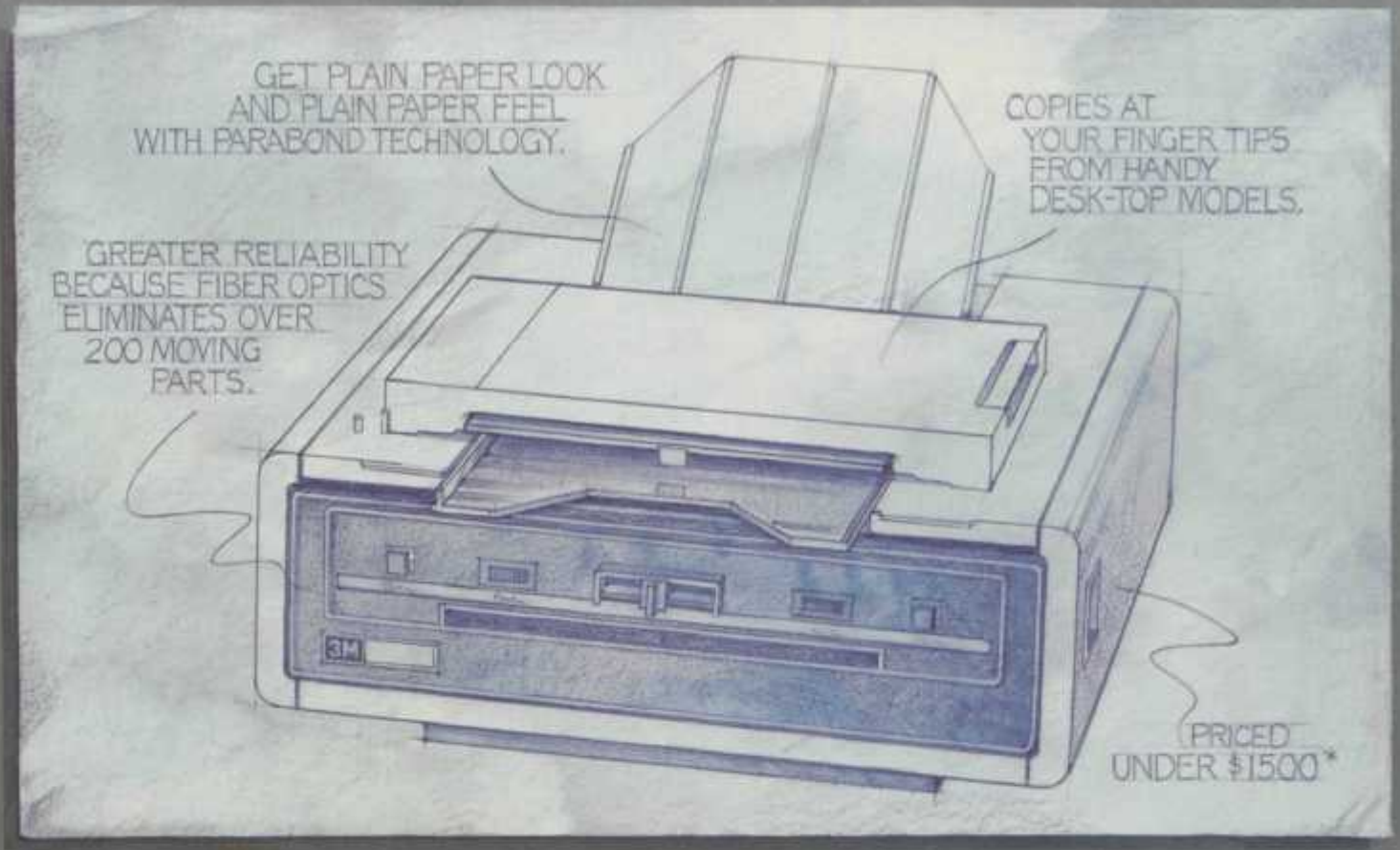
The great strategic challenge faced by the Reagan people is to create a dynamic structure that will possess sufficient momentum to continue their policies even after they have left office. In short, they must find a way to institutionalize deinstitutionalization.

Viewed in this context, the New Federalism is a stroke of political genius. If all goes as planned, its machinery will outlive the Reagan administration. Further, it has the potential to create a powerful constituency with a vested interest in its continuation—state and local governments. They are to get back specified powers and revenues on a schedule that stretches far into the future.

Of course, there's no guarantee that all will go as planned. The President will have to do some fancy horse trading to build an enduring constituency without in the process creating federal obligations larger than those he wants to shed. There is some risk for business, too. Burdensome federal rules might be replaced by equally burdensome state regulations.

Other potential pitfalls will probably surface in the forthcoming public debate. One charge—that the President conceived the plan to divert attention from his economic problems—can be dismissed. The record shows that the idea goes back at least as far as Reagan's 1976 primary contest with Gerald Ford in New Hampshire. Reagan then proposed "a systematic transfer of authority and resources to the states, a program of creative federalism . . ."

The plan is certain to be modified during the tactical maneuvering to come. Consequently, a final judgment on the New Federalism must wait until its ultimate shape is discernible. For now, however, we willingly salute the President for his imaginative search for new ways to slow the growth of the federal juggernaut. □




# We've invested a lot in our Parabond™ Copiers so you won't have to.

At last. Someone has finally invested the time and technology to put together the ultimate copiers.

Ones that will produce quality copies, but won't cost you an arm and a leg.

Those copiers are the Parabond Copiers from 3M.

Desktop copiers that are equipped with a remarkable 3M copying technology.

The Parabond technology.

So now you can get plain paper copier quality for just a fraction of the price.

We've also included a built-in reliability system.

A fiber optics system that has replaced well over 200 moving parts in the "369" Parabond Copier alone.

Fewer moving parts just naturally means less downtime.

But if a problem should occur, 3M has authorized sales and service centers all across the country.

Best of all, the 3M Parabond Copiers are the perfect addition to any business office.

For more information about the line of 3M Parabond Copiers, call toll-free: **800-328-1684.** (In Minnesota call: 800-792-1072.) Or send us this coupon.

*Manufacturer's suggested retail price.




Please send me more information about the 3M Parabond Copiers.

Name_____

Title_____ Phone ( ) _____

Company_____

Address_____

City_____

State_____ Zip_____

Send to: 3M Copying Products Division, Building 220-10E, 3M Center, St. Paul, MN 55144

**3M hears you...**

**3M**



# Cadillac 1982. Who deserves one more than you?

You've worked hard to get where you are. And now you can afford the finer things in life. In cars, that's Cadillac.

The classic styling. The silky smooth ride. The solid comfort. The advanced technology. And those special Cadillac touches for 1982.

From a Fuel Data Panel that can help you become a more efficient driver... to Electronic Climate Control that even tells you the outside temperature at the push of a button.

It's all there for 1982. Plus the magic... that special Cadillac feeling. Isn't it time you owned a Cadillac? Whatever model you choose...

Best of all...it's a *Cadillac*